



## **LMR Stakeholder Meeting – Summary Notes**

Swine and Pork Focus Group Meeting

*March 21-22, 2017*

### **Day 1 – Tuesday, March 21, 2017**

#### **Welcome and Introduction – Mike Lynch, AMS**

Mike thanked everyone for coming and welcomed input from the group for USDA's Report to Congress.

#### **Role of Facilitators/Ground Rules/Problem Solving Strategies and Agenda – Eileen Hoffman, FMCS**

FMCS reviewed the purpose of the meeting (to get comments and insights in an effort to reach agreements for Congressional reauthorization of LMR), and the role of the facilitators.

#### **Problem Solving Strategies – Doug Corwon, FMCS**

FMCS explained that it is important for participants to explain and clarify the reasons for why the issue is in fact an issue. FMCS reviewed amendments from the November 2016 meeting. FMCS asked that participants respond by explaining the rationale and thinking behind a proposal; why the topic is a need or concern; and to include what benefit there is in addressing the specific need. The purpose was to ensure the record was noted and that everyone in the room had a common understanding of the concern.

#### **Stakeholder Expectations – Eileen B. Hoffman, FMCS**

Mike reviewed participant expectations. USDA General Counsel stressed the following requirements which apply to all such meetings with stakeholders:

- AMS' objective is to receive advice and input of stakeholder groups.
- If stakeholders offer input, do not engage in violations stated in Anti-Trust laws.
- All comments will be transcribed and summary notes for the meeting will be made available to the public.

#### **Concerns/Issues from Organizations – FMCS**

FMCS asked participants to articulate any issues to include in the discussion. Issues included:

#### **CME Group**

- USDA should consider moving attribute hogs out of the other purchase arrangement purchase type category and into either the swine or pork market formula or negotiated category to add more animals to the categories that are used in calculating the CME Lean Hog Index.
- Concerns of confidentiality requirements that reduce negotiated formula volume.
- Pork and beef cutouts should accurately reflect the yield calculations of products (annual mandatory review and a published schedule of reviews and updates).



## **NPPC**

- In terms of submitted information, what if there are subsequent changes in procedure that need to be addressed? How do we go about addressing these changes?
- Hogs are sold and formula is derived from CME Lean Hog Index. Proposed change to “future based” reporting. Hogs sold on Index are based on HG 201 report.
- Regarding Swine and Pork Market Formula Purchases: there is a need for clarification on how many per category, possibly by line item, and a better understanding of each individual formula (i.e. percentage of what formulas in this purchase type are based off the pork cutout).
- Discuss the best way to address and capture a growing number of hogs receiving premiums, cost recovery items, etc. It would be helpful to restructure and move formula to increase volume that will effectively increase the CME Lean Hog Index. It was suggested to take out premiums and list the attributes with a range of premiums.
- Provide more information on the packer sold category on the prior day slaughter report (LM\_HG201). USDA needs to present both blended and expanded data to understand the capacity of volume. Want more information on the packer sold category and find alignment in options to publish volume.

## **NAMI**

- Spoke about the need for accuracy and timely reporting and expressed that it is important that Market News employees be considered “essential” employees in the event of a government shutdown.
- Participant asked for clarification on the FOB Omaha pricing series and its current value and use to industry. A general consensus was understood that it is not, or minimally, being used by industry.
- Participant asked about the review of the impact on markets of small trading volumes pertaining to pork reporting.

## **LMIC**

- Would like to know how and how often swine or pork marketing contracts with bonus payments are evaluated. Specifically, how are bonus payments handled?

## **AFBF**

- Proposed to make Market News staff “essential” during a government shutdown and to review industry-led options for a back-up strategy.

## **NFU**

- How is confidentiality impact data reviewed?
- Would like to know more about the procedures when discussing the pros and cons in making proposed report changes (how does AMS evaluate the impact on volumes, values, and confidentiality when preparing to make a reporting change?).



## *Discussion of Topics:*

### **1. Confidentiality**

AMS provided an overview of how the 3-70-20 confidentiality guideline is defined and applied in AMS reports. AMS discussed the importance of the statutory requirement to protect the confidentiality of market participants and all the nuances involved.

#### **Questions/Concerns about Confidentiality**

Issues focused mainly on negotiated categories and applied by purchase price. AMS explained how the confidentiality guideline is applied to pork reporting by each cut or line item. However, if trades are not able to be shown in a report due to confidentiality, the reported information is still used in the pork carcass cutout calculations. AMS also explained that a data system is in place to ensure accuracy of released information, verification of data, and shows a confidentiality pass/fail status. Reporters also have direct daily correspondence with plants to verify trades. Reporters review and verify 8,000-10,000 records of data per day.

A participant questioned the issues in line item disclosure as it related to protection of packer's confidential information. AMS explained that confidentiality protects both small and large volume trades, and referred to language located in [Chapter 5 of the Agricultural Marketing Act of 1946](#). Finally, a participant recommended implementation of rolling averages for swine and pork to assist in broadening the scope to assess and pass confidentiality.

### **2. Purchase Types & Marketing Methods**

- a. Negotiated
- b. Negotiated Formula
- c. Swine and Pork Market Formulas
- d. Other Market Formulas
- e. Other Purchase Arrangements
- f. Non-carcass Merit Premiums
- g. Packer Sold
- h. Affiliate

#### **a. Negotiated**

There was discussion of the definition of “negotiated” purchases, which is a cash or spot market purchase by a packer of livestock from a producer under which the base price for the livestock is determined by seller-buyer interaction and agreement on a delivery day. The livestock are scheduled for delivery to the packer not more than 14 days after the date on which the livestock are committed to the packer.

A participant asked about clarity on deriving numbers from negotiated purchases based on the current definition, wondering if it matters how prices and numbers are derived through the negotiation process, including amendments. The participant stated that you would still have the same outcomes, no matter the timing of the purchase. Another participant disagreed stating that if the number is determinable during the time of negotiating the terms of the purchase, it is okay to report the base price and pricing mechanism. If the price is determined, then a negotiated



trade is completed. Also stating, negotiated formulas should not be used to set markets. The overall percentage would be increased, but is not measurable or referenced due to confidentiality. Another participant disagreed stating that the purpose was to increase and enhance the volume of negotiations. Another participant agreed that the negotiated formula purchase type requirement should be removed.

A participant raised the question of how packers are reporting purchases which are based on or may reference an AMS market report when the base price is known at the time the deal is made. For example, at noon on a given day a packer and producer agree to price a load of hogs that referenced or is based on the morning Western Cornbelt weighted average report that was published earlier that same day. Since the base price is known at the time of purchase, the stakeholders agreed that these purchases should be reported as negotiated trades. On the other hand, if the parties agreed to price the load of hogs off of a future AMS report to be published later that afternoon or the next day, the stakeholders agreed that this type of purchase should be submitted as a negotiated formula or a swine or pork market formula. AMS explained that the nature of how packers and producers arrive at their agreed to base prices is not known from the purchase data that is submitted.

***General agreement: AMS will draft new reporting guidance to instruct packers to report any formula based purchases of swine where the base price is known at the time the negotiation is completed is agreed to as a Negotiated Purchase (types 1 and 5).***

***Any swine purchases using a formula price with an undetermined price at the time of negotiating the pricing mechanism should continue to be reported as either a Negotiated Formula Purchase (types 10 and 11) or a Swine Pork Market Formula Purchase (types 3 and 7), depending on the terms and times associated with the purchase.***

#### **b. Negotiated Formula**

There was discussion of the definition of “negotiated formula” purchases, which are swine or pork market formula purchases under which the formula is determined by negotiation on a lot-by-lot basis, and the swine are scheduled for delivery to the packer not later than 14 days after the date on which the formula is negotiated and swine are committed to the packer.

This definition and reporting requirement was added to LMR in the 2015 Reauthorization Act. However, during the time since this requirement was implemented, AMS has been unable to publish information for this purchase type because it does not pass the 3-70-20 confidentiality guideline as not enough packers purchase hogs in this manner.

***General Agreement: Participants committed to drafting language officially requesting the disassembly of the Negotiated Formula Purchase type for LMR swine to be reviewed by Congress at the reauthorization of the LMR Act in 2020.***

#### **c. Swine and Pork Market Formula**

There was discussion of the definition of a “swine and pork market formula” purchase, which is a purchase of swine by a packer in which the pricing mechanism is a formula price based on a



market for swine, pork, or a pork product, other than a future or option for swine, pork or a pork product.

Members of the swine stakeholder group expressed their concerns about how AMS has interpreted the reporting of purchase types for certain purchase practices or methods. For example as discussed in more detail below, the reporting of purchases based on the CME Lean Hog Index; swine raised under special conditions with attributes like crate-free, organic, or antibiotic-free; and packer sold swine. The stakeholders emphasized the pork industry's need for maintaining a robust volume of hogs reported in the swine or pork market formula category on the prior day slaughtered swine report (HG201), which is utilized along with the negotiated hog information by the CME in the calculation of their daily Lean Hog Index.

Stakeholders also discussed the make-up of swine or pork market formula purchases, and what portion of these purchases are priced on a formula based on a pork market. AMS explained that there is currently no way to determine that information based on the data submitted by packers because it is not an LMR reporting requirement. This would require a statutory change at reauthorization. However, in lieu of waiting for reauthorization, AMS reminded the stakeholders that they can collect information on a voluntary basis. AMS agreed to survey swine packers to collect the percentage or volume of formula purchases based on the pork market.

***General agreement: AMS will survey swine packers on a quarterly basis to collect the percentage or volume of formula purchases based on the pork market. Assuming there is sufficient cooperation, AMS would include the survey results on the prior day slaughtered swine report.***

#### **d. Other Market Formulas**

There was discussion of the definition of "other market formulas" purchases, which are purchases of swine by a packer in which the pricing mechanism is a formula based on any market other than the market for swine, pork, or a pork product. This includes a formula purchase in a case which the price is based on one or more futures or options contracts.

The group discussed that the CME Lean Hog Index uses negotiated and swine or pork market formula prior day slaughter data. There was discussion about what constitutes an other market formula purchase. AMS shared that purchases of swine that have any association with the CME are being submitted as other market formula purchases. One participant recommended that if trades are over/under the June futures contract, then those are other market formula purchases. However, if a purchase is based on the CME Lean Hog Index value, it should technically be reported as a swine or pork market formula purchase.

Another participant looked at the CME Lean Hog Index as a compilation and recommended that we change the other market formula title by the addition of "future/options" being listed and defined under the Act. This would be a structural modification to the Act to rename it "future/options" for clarification. As a simpler course of action, AMS offered to amend the swine reports to include the "future/options" label.



***General agreement: AMS will add the “futures/options” header on the report after a period of outreach and education to packers. AMS will set a date for the transition so that packers can implement the reporting change on or near the same date.***

**e. Other Purchase Arrangements**

There was discussion of the definition of “other purchase arrangements”, which are purchases of swine by a packer that is not a negotiated purchase, swine or pork market formula purchase, negotiated formula purchase, or other market formula purchase; and does not involve packer owned swine. This purchase type includes various purchase methods that do not fit into the aforementioned categories, such as cost of production contracts and window or floor contracts.

Also included in this category are purchases of hogs raised under specific production practices or environments that provide particular attributes to differentiate from the commodity hog. Some examples of these attributes are antibiotic free, beta-agonist free, organic, crate-free, and breed programs. AMS explained that these types of purchases are reported as other purchase arrangements regardless of how the base price is determined because these are unique production methods for which there are premiums that are not available for commodity type hogs. Consequently, the net price information reported for these hogs with special attributes is significantly higher in most cases, which would skew the market information for commodity hogs if these were reported as negotiated or swine or pork market formula purchases.

A participant noted that we should try to add volume to the swine or pork market formula category, and in turn the Lean Hog Index, and show the overages being paid due to attributes separately. A participant mentioned that commodity based markets with attributes are still part of the market. From a producer’s perspective, there is no difference in pricing based on process. Producers will need to manage risk and want to ensure a robust CME Index and a robust negotiated market because formulas are based off of the negotiated prices/markets. The predictability of the market, as hogs go in and out of the market, will have a significant effect on business and the Index.

There was discussion about having packers report hogs with specific production attributes as swine or pork market formula purchases in the prior day slaughter information, but with the attribute premiums reported separately or not included in the net price. AMS referred to the HG201 report to compare the base prices and net prices for the various purchase types and attributes. AMS also reviewed the definition in the Act for “net price” which is the total amount paid by a packer to a producer on a per hundredweight basis, including all premiums and discounts.

Several ideas were discussed, including amending the definition of “net price” in the Act during the next reauthorization; adding a definition for “attribute” premiums; adding a definition, reporting requirement for net price minus any attribute premiums; and adding a field on the LPS118B to capture either the attribute premium or the second net price less any attribute premiums.



#### **f. Non-carcass Merit Premium**

Weekly non-carcass merit premium information is submitted by packers to AMS on Mondays. The group discussed the addition of language to the “Noncarcass merit premium” definition. The following was proposed to be added to the non-carcass merit premium definition: “an increase in the base price OR NET PRICE PAID of the swine offered by an individual packer or packing plant, based on any factor other than the characteristics of the carcass, if the actual amount of the premium is known before the sale and delivery of the swine.”

For the weekly submissions of non-carcass merit premiums, AMS stated that if a packer cannot distinguish what the attribute is because it may include other factors, then information should be submitted under “Other”.

AMS proposed to make a list of attributes being submitted and consider combining them all into one category. It was discussed that some premiums are paid on a monthly basis instead of weekly. One recommendation was for AMS to consider reporting monthly averages for some attributes, as well as look at 6-week and 8-week rolling average data.

***General agreement: On the LM\_HG250, Weekly Non-carcass Merit Premium report, AMS will evaluate the feasibility of grouping similar attributes together into an “other” category in order to publish more information for the industry. AMS will also look at reporting monthly, 6-week, and 8-week rolling averages for some attribute categories to determine if it passes the confidentiality guideline.***

The group also discussed finding a process to define each attribute and report the attributes to AMS. It was suggested that the packers submit the specific definitions.

***General agreement: Participants recommended that an amended definition of “non-carcass merit premium” is best moving forward, as well as a definition for “attribute”. Weight and lean premiums and discounts are included in the commodity net price calculations. Reauthorization is needed to amend language of the LMR Act. Packers could work together to determine attributes and submit for discussion at a later date with input from stakeholders.***

#### **g. Packer Sold**

AMS spoke about the “packer sold” category that is reported separately from “producer sold” and not broken out by specific purchase type due to confidentiality. There was discussion about the feasibility of AMS combining all of the respective producer sold and packer sold purchase types on the HG201 Prior Day Slaughtered Swine Report in order to increase the volume of negotiated and swine or pork market formula hogs contributing to the daily CME Lean Hog Index. AMS volunteered to conduct a study of the 2016 data. The study would combine producer sold and packer sold together by purchase type, and compare these alongside actual reported data. A participant also suggested that it would be valuable for AMS to continue publishing the total packer sold volume so stakeholders can monitor the degree of vertical integration within the industry.

***General agreement: AMS will review 6 months of packer sold data.***



#### **h. Affiliate**

There was discussion about the term “affiliate”, which with respect to a packer, means: (1) A person that directly or indirectly owns, controls, or holds with power to vote, 5 percent or more of the outstanding voting securities of the packer; (2) A person 5 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the packer; and (3) A person that directly or indirectly controls, or is controlled by or under common control with, the packer.

Given the recent proliferation of new producer owned pork plants, the group discussed the merits of modifying the definition of affiliate to decrease the threshold to anything more than 0 percent. No consensus was reached nor was a recommendation made.

*General agreement: This term is defined in the Act, so to modify the definition of “affiliate” will require a statutory change during the reauthorization process.*

### **3. Market News - Essential Service**

*General agreement: It was agreed to go forward with a proposal to request that mandatory reporting be deemed an essential service and to ensure that funding is available during a government shutdown. Swine and pork shareholders will assist the cattle and beef stakeholders in drafting language to be included in the report to Congress.*

### **4. Timeliness/Accuracy of Reporting**

The group discussed report accuracy and timeliness. AMS asked the industry for guidance, and the participants said they valued accuracy and are willing to wait for all packer submissions regardless of the time it takes. Reasons for lateness are often technological issues, which can be affected by either the packer or AMS. If AMS releases a report without a packer’s information, then publishes a correction later after the data is received, stakeholders would be able to determine the specific late packer, which would create a confidentiality issue.

It was decided that if AMS is notified of a reporting error immediately, or at least before the next report is published, then AMS will publish the correction. However, if an error is discovered after the next report is published, then AMS will not publish the correction, but will ensure that data is corrected in the database so the historical data is accurate. Accuracy was deemed a more important factor than timeliness by the participants.

*General agreement: The participants agreed to the AMS procedure described above for late reporting and making corrections.*

## **Day 2 – Wednesday, March 22, 2017**

### **Welcome and Introduction – Mike Lynch, AMS**

Mike led a brief introduction of the attendees in the room.

Group reviewed topics raised at yesterday’s meeting:





- Packers agreed to provide their average yield information. Yields were updated in January 2017 and should be voluntarily submitted to AMS annually.
  - One participant advocated that packer surveys be mandatory and a systematic process to ensure the accuracy of measurable numbers.
- Accuracy vs. timeliness of AMS pork and swine reports
- Regular scheduling and updating the processes on audit information

### *Discussion of Topics:*

#### **1. Wholesale Pork Reporting & Cutout Value**

There was discussion of wholesale pork reporting and the pork carcass cutout. An issue was raised regarding yields and cutouts. Currently, AMS collects yields and labor and packaging costs for pork from packers on a voluntary basis. AMS stated that it has limited staff resources and time to run a side-by-side historical cutout comparisons every time the cutout is updated.

The question was asked about a set criteria to determine frequency of updating pork cutout yield information. The group agreed that annually would be best.

There were some concerns about the inconsistency and volatility in the pork cutout. The pork cutout is less likely to be competitive as a pricing tool given the volatility. There was discussion about the boxed beef cutout which uses a 2-day rolling average of the items reported, and whether this model would mitigate the volatility of the daily pork cutout. AMS agreed to study this, which will take some time to complete.

***General agreement: All agreed on a study of the 2-day rolling average of the pork cutout reporting.***

#### **2. Scheduled Reviews of Data Trends, Yields, Product Codes, and IMPS Codes**

AMS explained there is a prolonged process involved for translating product codes for the LMR system, which is very time consuming. AMS asked the packer stakeholders about the feasibility of the industry providing Institutional Meat Purchase Specification (IMPS) codes along with their product codes going forward as this would be a helpful reference to AMS. By having this information, AMS can better manage all of the product translation codes received.

It was proposed that an annual meeting be held with pork industry stakeholders to discuss trends in data, implementation of yields, and conducting an annual review of product and IMPS codes. Attendees would include producers, packers, processors, retailers, and other stakeholders. AMS would lead the discussion.

It was also suggested to break out the St. Louis Ribs into two weight categories (*AMS will study the impact*).

***General agreement: AMS will review and remove outdated codes from the system. AMS will provide a comprehensive list of active codes for each packer's review.***



**3. Volume Thresholds** - A participant asked what constitutes trade volume thresholds. AMS stated that 500 pounds for boxed, 2,000 pounds for combos, and 2,000 pounds for each cut line to set the price range of what trades will report.

**4. Expanding Forward Report** - A request was made to break down the Weekly Forward report by delivery code: 11-60 days and 61 days and more. AMS will evaluate the data to determine if it passes confidentiality.

**5. FOB Omaha Reporting** - Packers are currently mandated to report FOB Omaha prices for all cuts and products reported to AMS. However, packers conveyed that this causes confusion in the market, it's a burden to report, and has little value as the information is not widely used. Packers proposed that the FOB Omaha price reporting requirement be eliminated, which could be done during reauthorization or through rulemaking after the next reauthorization.

**6. Weekly Reports Published on Fridays** - It was proposed that weekly pork reports be published on Friday afternoons. The reason for this request is that some parties would like to use our weekly reports as a pork pricing tool, so it would be more timely and relevant if the reports were released on Friday instead of the following Monday. Currently, there are 8 weekly reports, including FOB Plant and FOB Omaha, which are published on Mondays after all of the price data has been confirmed. AMS releases these weekly reports on Mondays for staffing management purposes. There is more time available to review and finalize reports on Monday morning than there is late Friday afternoon, which helps minimize the incidence of reporting errors. AMS has specific time constraints and will review current time frame allocations to see if 4 of the 8 reports can be published on Friday afternoon.

*General agreement (1-6): AMS will participate in the PPIC annual stakeholder meeting, or a similar meeting/event, and send along special invitees to discuss audit findings, trends, and reporting changes. A targeted webinar or conference call may be used as a backup meeting strategy resolution. A decision is pending on the timeline and when it is best to hold the meeting.*

*Producers and packers will discuss recommendations of the side-by-side analysis of one year of data for future major reporting changes/modifications. AMS will focus on price discovery with a quick turnaround. Stakeholders agreed to allow AMS time to explore conducting a side-by-side review of the 2-day rolling report average of the pork cutout (trial run), which would be helpful if it lessens volatility of the cutout.*

**7. Sow & Boar Reporting** - Unanimous decision that the participants present were not the appropriate people for this discussion. AMS will reach out to the appropriate companies.

## **8. Review of All Topics & Issues and Next Steps**

### **Pork and Swine**

- **Reporting Guidance:** AMS will begin immediately updating and aligning reporting procedures for LMR pork and swine so they are consistent and uniform by waiting for all packer data submissions before report release to ensure accuracy and reduce corrections.



In addition, all data will be corrected upon notification; however, actual report corrections will only be made within a 24 hour period of notification.

- **Side-by-Side Comparisons:** Participants requested AMS provide a full year of side-by-side cutout comparisons with actual reported data, when possible, ahead of any major reporting changes. However, it was agreed that side-by-side comparisons were not necessary for any updates to yields, processing, packaging, or labor costs because if these factors are updated annually the expected changes to the cutout should be very subtle.
- **Compliance Procedures and Cutout Overview Documents:** Effective immediately, AMS will ensure its compliance processes and procedures for LMR commodities, especially for pork and swine, are more transparent and effectively communicated. AMS will also provide greater awareness and transparency of its processes and procedures involving pork cutout calculations, reporting reviews, and enhancement schedules (yield, processing, packaging, and labor costs; product code verification; proposed reporting changes; and others).
- **Sow & Boar Reporting:** AMS will contact sow and boar companies to seek additional input on pork and swine reporting as these stakeholders were not represented at the meeting.
- **Essential Reporting Services:** Pork and swine stakeholders, along with all of the other LMR stakeholder groups, plan to provide documentation to Congress at the reauthorization of the LMR Act in 2020 requesting that AMS staff under LMR reporting be identified as essential during a government shutdown.

## Pork

- **2 Day Rolling Average of the Pork Cutout:** AMS will pull data for 2016, run calculations, and analyze the results to determine the volatility and impact associated with changing the pork cutout calculations from daily calculations to 2 day rolling average calculations. AMS will report data and findings to the stakeholder group for review in 2017.
- **2 Day or 5 Day Rolling Average of Pork Cut Lines:** After industry reviews the results from the above project, they will provide feedback to AMS on whether to conduct additional review and analysis on running either 2 day or 5 day average calculations on each pork cut line.
- **Release of Weekly Pork Reports on Friday (LM\_PK610, LM\_PK611, LM\_PK620, LM\_PK621):** Over the course of several months, AMS agreed to track and assess the resources needed and the impact associated with reviewing, verifying, and publishing the National Weekly Negotiated Pork Reports (LM\_PK610 and LM\_PK611) and the National Weekly Formula Pork Reports (LM\_PK620 and LM\_PK621) on Fridays instead of Mondays. AMS will report this information back to the stakeholder group for review in 2017.
- **Modification of Reporting Volume Thresholds:** AMS will analyze 2016 data to review the impact of changing the reported volume thresholds for pork cuts. AMS will set volume thresholds for the low and high prices in the reported price to show trading at 2,000 pounds on boxes and 6,000 pounds on combos, instead of 500 pounds on boxes and 2,000 pounds on combos. AMS will compare the data against actual reported data for the same time period to assess issues with confidentiality, packer participation and data loss, and the impact on the individual pork cut weighted average prices, primal values, and the



overall pork cutout values. AMS will share these findings with the stakeholder group to review in 2017.

- **Regular Review of Pork Reporting:** Moving forward, AMS will establish regular meetings between AMS staff and industry to share and review possible pork reporting changes to either the individual pork cut lines or the pork cutout. Following these discussions, AMS will analyze a year of data of the proposed reporting change to compare side-by-side with the actual reported data. In 2017, AMS will conduct a study of 2016 data to review any confidentiality concerns and to measure the impact of: 1) categorizing the St. Louis Ribs into two weight categories (2.75 and down and 2.75 and up) instead of reporting all trades together, and 2) removing the 14-16 pound and 16-18 pound skin-on bellies from the belly primal and the overall pork cutout.
- **Expansion of the Forward Sales Report (LM\_PK630 and LM\_PK631):** AMS will analyze existing reported data for 2016 to study the different delivery codes, especially the 11-60 day and the 61 day and more data, to evaluate confidentiality issues and the possibility of separating these data sets in the reports. AMS will report these findings back to the stakeholder group to review.
- **Regular Updates of Yields, Product Codes, and IMPS Codes:** Moving forward, AMS will schedule annual reviews and updates with industry of yield, processing, packaging, and labor cost data; product codes to ensure accuracy and relevancy; and IMPS (Institutional Meat Purchase Specification) codes for each product code.
- **Removal of FOB Omaha Price Reporting:** Stakeholders plan to draft language requesting the official removal of FOB Omaha price reporting requirement for LMR pork to be reviewed by Congress at the reauthorization of the LMR Act in 2020.

## Swine

- **Swine Pork Market Formula Percentage Survey:** AMS will conduct a voluntary survey of reporting packers to assess the composition of the formulas by percentage of the Swine or Pork Market Formula purchase type. These findings will be reported back to the stakeholder group and industry to determine the value of the information and whether this information will be reported more regularly in the future and how it will be reported.
- **Review Reported Attributes:** AMS will review all reported attributes on the LPS 120 form for issues with confidentiality to determine if any more attributes can be consistently reported on the [National Weekly Direct Swine Non-Carcass Merit Premium Report \(LM\\_HG250\)](#) on a weekly basis, or if this data could be reported using a 4 week rolling average. If this data cannot be expanded, AMS will add another attribute category to the report called “Other” to publish the unlisted attributes. Additionally, an asterisk would be listed on the report listing all attributes reported in this “Other” category.
- **Packer Sold and Producer Sold Query:** AMS will evaluate all producer and packer sold purchase data in 2016 on the [National Daily Direct Hog Prior Day Slaughtered Swine Report \(LM\\_HG201\)](#) in two different ways to compare against actual reported data to determine potential impact and alternate reporting options. First, AMS will calculate data for combining producer and packer sold data for each purchase type to look at making a single section as opposed to two different ones. Second, AMS will look at expanding the packer sold data by purchase type to determine issues with confidentiality and whether the data could be reported this way. The data and findings will be reported to the stakeholder group and industry for review.



- **Outreach and Instruction on Reporting Purchase Types:** AMS will conduct outreach activities to provide packers with reporting instructions on swine purchase type reporting, specifically with regard to Negotiated Purchases (type 1 and 5) and Other Market Formula Purchases (type 2 and 6). Moving forward, packers will report all purchases of swine with a known “hard price” at the time negotiation is completed as a Negotiated Purchase (type 1 and 5); however, any swine purchases using a formula price with an undetermined price at the time of negotiating the pricing mechanism will be reported as either a Negotiated Formula Purchase (type 10 and 11) or a Swine or Pork Market Formula Purchase (type 3 and 7) depending on the terms and times associated with the sale. In addition, packers will report all purchases of swine formulated off of the CME Lean Hog Index as a Swine or Pork Market Formula Purchase (type 3 or 7) instead of reporting these purchases as Other Market Formula Purchases (type 2 and 6). Any swine purchases formulated off of a future or option will continue to be reported as Other Market Formula Purchase (types 2 and 6).
- **Negotiated Formula:** Participants committed to creating language officially requesting the disassembly of the Negotiated Formula Purchase type for LMR swine to be reviewed by Congress at the reauthorization of the LMR Act in 2020.
- **Reporting Regulation and Definition Amendments:** Participants committed to drafting documentation and possibly new reporting fields for the reporting forms to address attribute reporting to AMS, specifically regarding how attribute premiums, base prices, and net prices are reported by purchase type and form. Participants committed to providing documentation requesting new language and definitions for “Attribute”, “Non-Carcass Merit Premium”, and “Affiliate”. These documents are intended for review by Congress at the reauthorization of the LMR Act in 2020.

**Closing** – Appreciation was expressed for the opportunity to have dialogue. Great appreciation was expressed for AMS and their staff, and the participants.

**Adjournment** – The meeting adjourned.