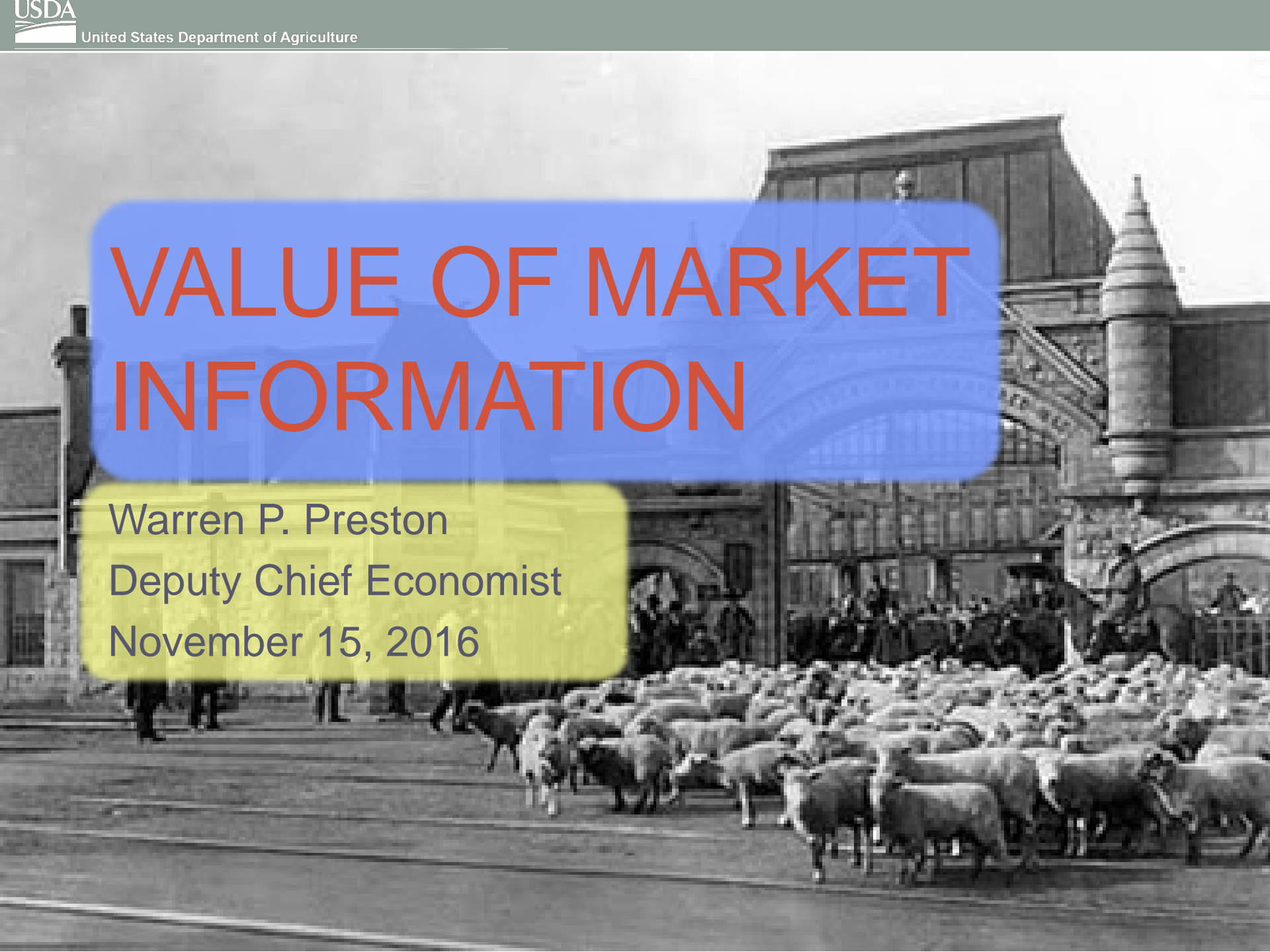
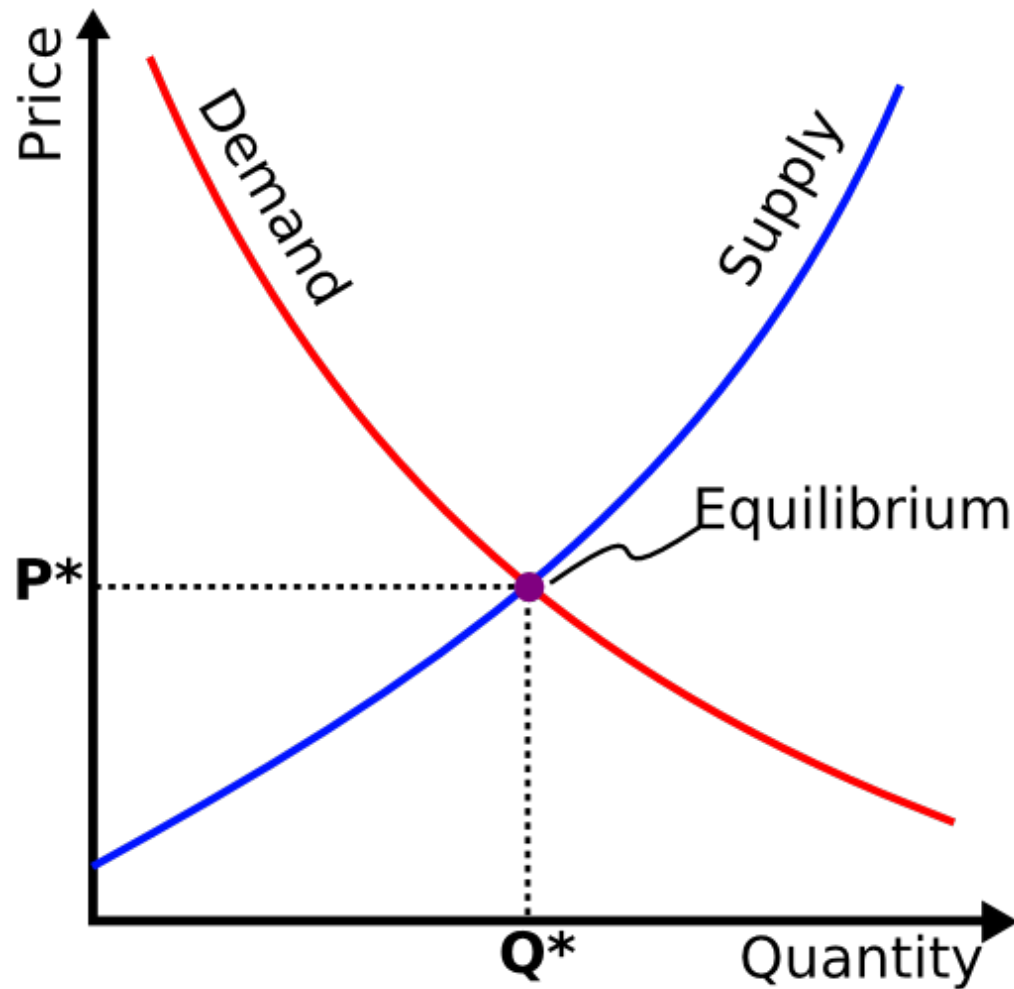


VALUE OF MARKET INFORMATION

Warren P. Preston
Deputy Chief Economist
November 15, 2016



Market theory...



...meets market reality



Market information brings transparency back to the marketplace



Help Guide ?

Criteria



Region: **National**

Year: **2016**

Week Ending

Nov-12

Apply

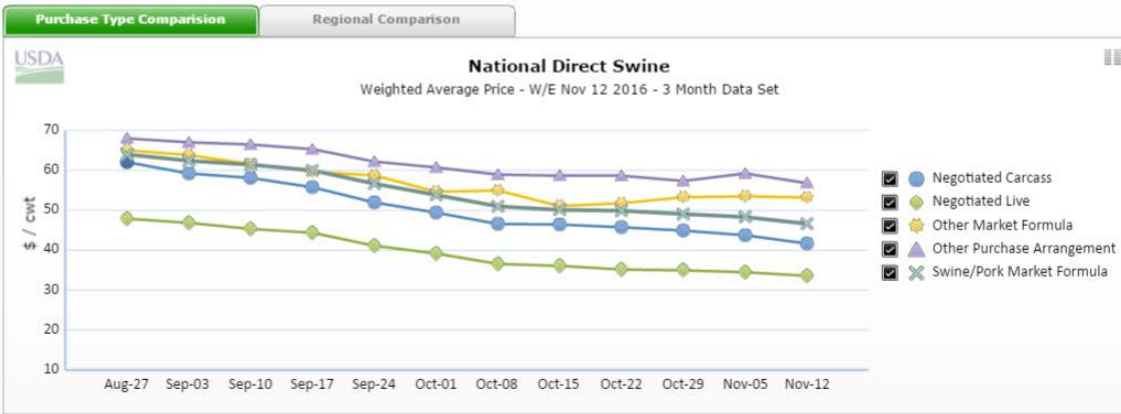
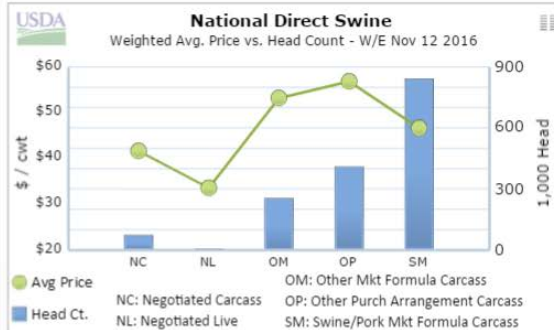
Information

Welcome to the AMS Direct Swine Dashboard. This data visualization tool provides an interactive experience for searching and viewing swine market information collected under the Livestock Mandatory Reporting Act. Navigational assistance can be found at the "Help Guide" link near the top, right corner of this page.

National Direct Swine
Weighted Average Price - W/E Nov 12 2016

Purchase Type	Avg Price	vs Year Ago	vs 3-Year Avg
Negotiated Carcass	41.70	-19.0%	-35.7%
Negotiated Live	33.60	-18.6%	-34.0%
Other Market Formula	53.22	-5.8%	-23.3%
Other Purchase Arrangement	56.84	-12.6%	-22.3%
Swine/Pork Market Formula	46.65	-16.2%	-31.1%

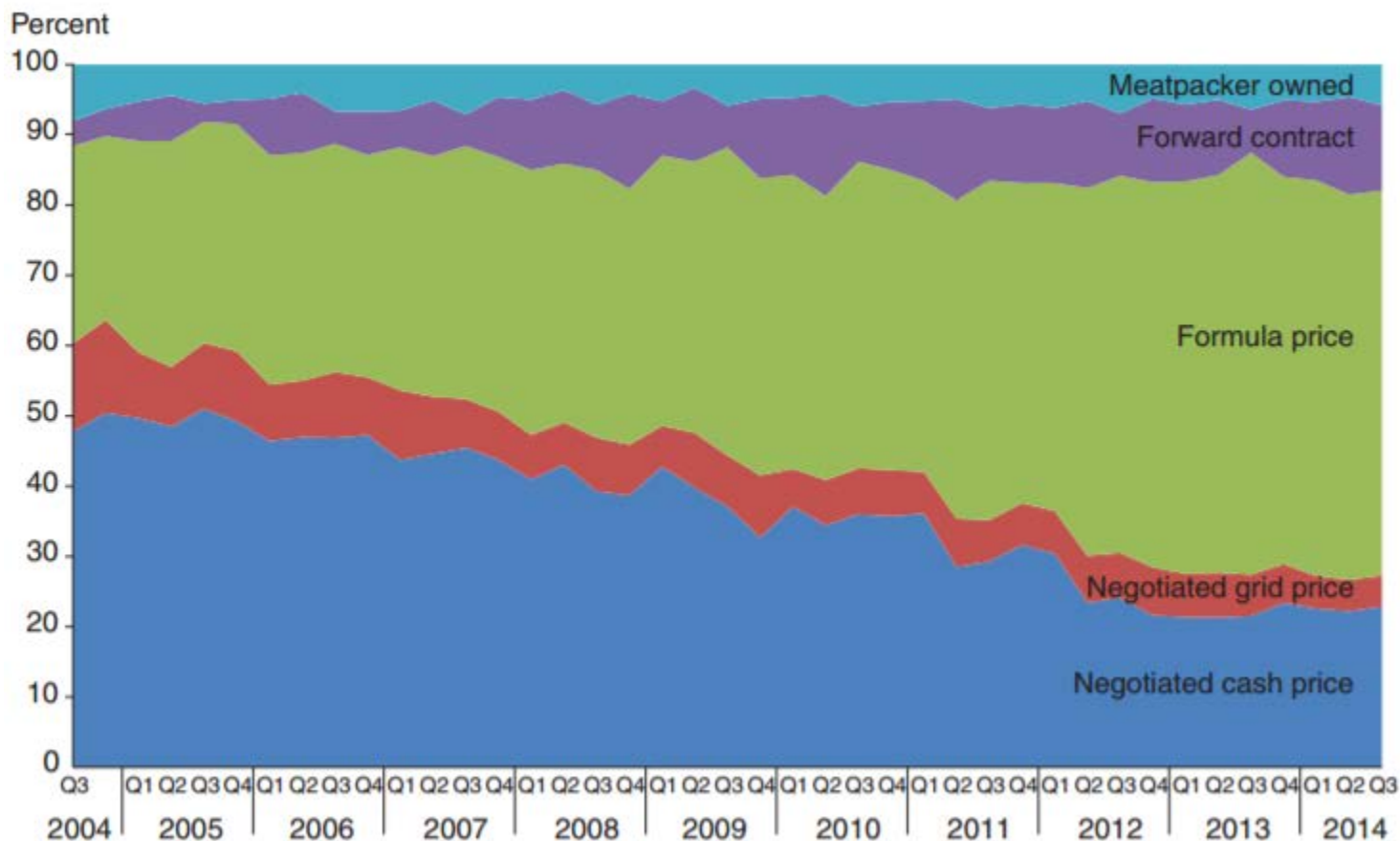
Click a column header to sort



Excel
 CSV
 XML
 PDF

Thinning spot markets raise concerns about their role in price discovery

Steer and heifer sales by marketing arrangement

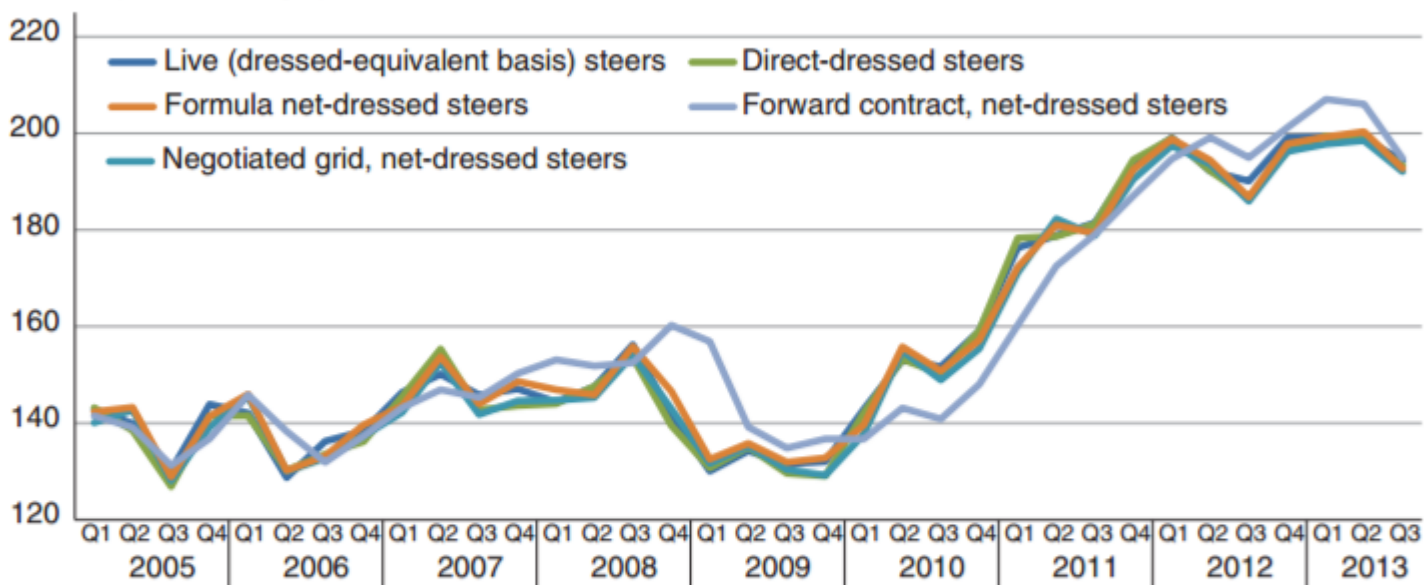


Note: Comparison with charts in Perry et al. (2005) is subject to some differences in data and definitions.
 Source: USDA, Economic Research Service calculations based on USDA, Agricultural Marketing Service data.

Negotiated spot and alternative marketing arrangement (AMA) prices move together

Five slaughter steer prices

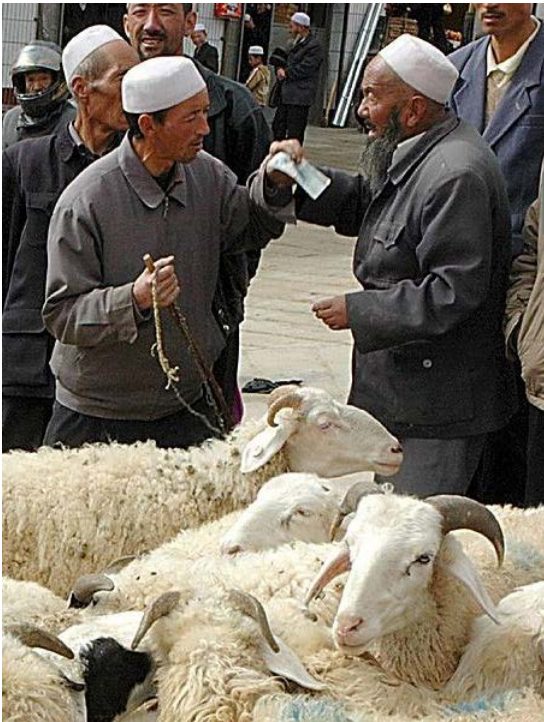
\$/CWT (carcass weight)



Notes: CWT = Hundred weight or 100 pounds. The live steer prices are negotiated between meatpackers and producers, and paid based on the live animal weights. These prices have been transformed to a carcass-weight basis using a carcass-to-live yield of 63 percent. Direct-dressed steers are those animals whose price is negotiated and based on the carcass weight of meat the cattle produce. Negotiated grid, net-dressed steers are like the direct-dressed steers except that the price is adjusted based on premiums and discounts for various factors. Formula net-dressed steers are like the negotiated grid, net-dressed steers except that the price is determined by a formula rather than by negotiation. Forward contract, net-dressed steers have a base price that is determined more than 2 weeks prior to delivery. Comparison with charts in Perry et al. (2005) is subject to some differences in data and definitions.

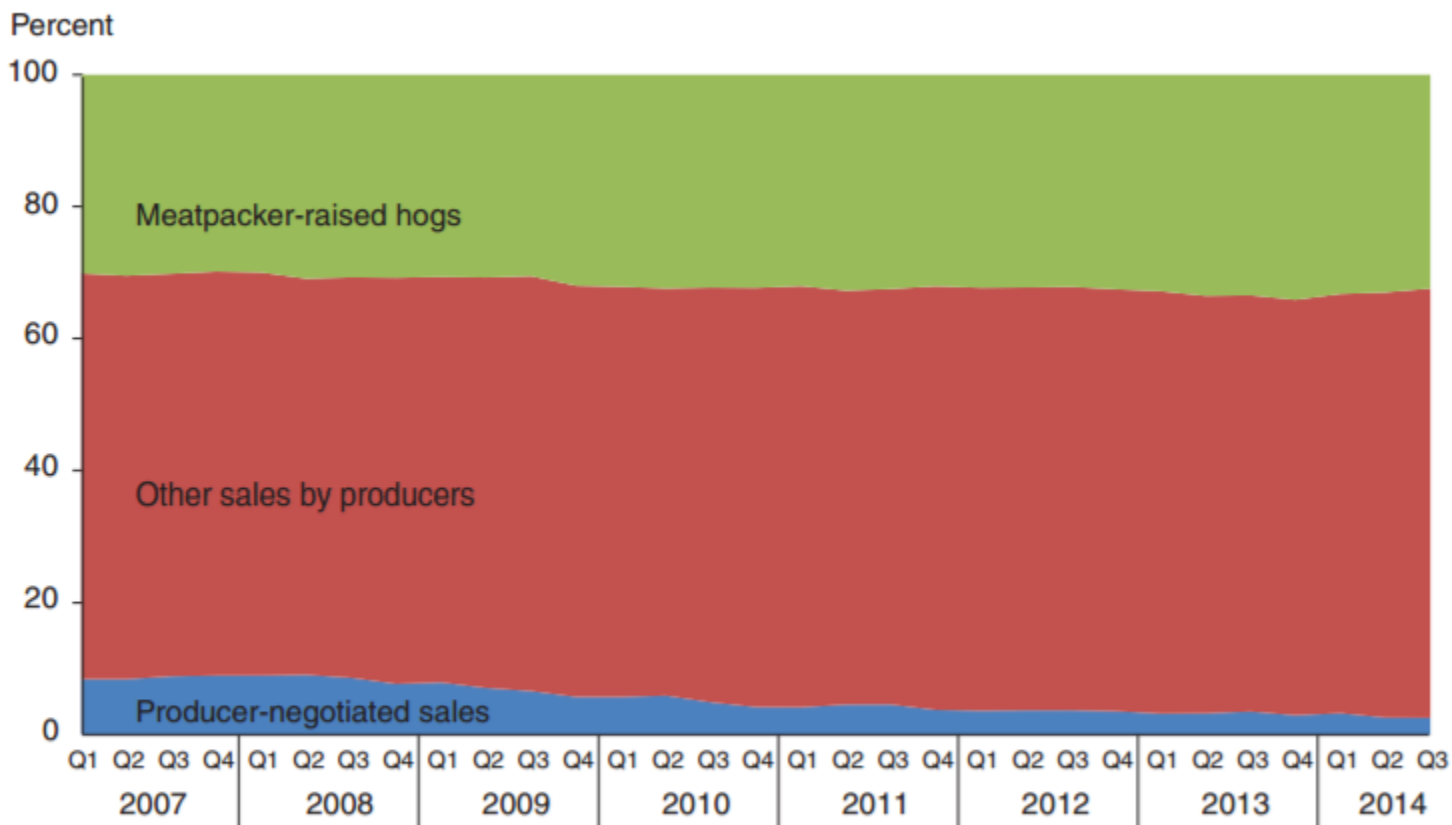
Source: USDA, Economic Research Service calculations based on USDA, Agricultural Marketing Service's (AMS), *Weekly Direct Steer and Heifer Slaughter Cattle Summary*.

Fundamental economic forces have driven the adoption of AMAs...



...and those drivers are not going away

Quarterly shares of barrow and gilt sales



Notes: Barrow = A male hog that has been castrated before reaching sexual maturity.

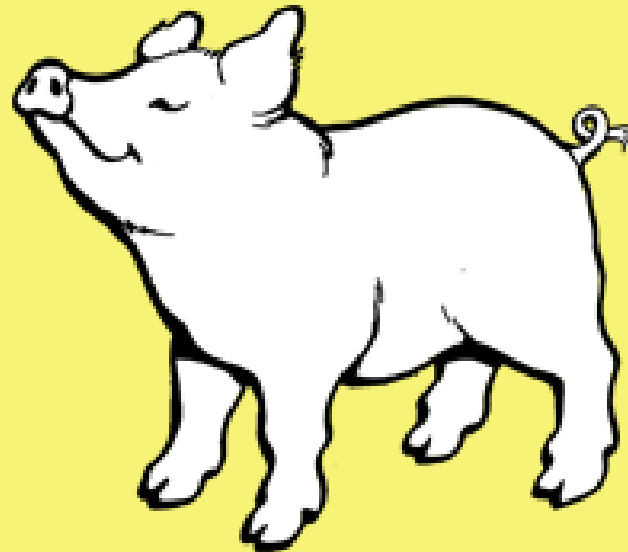
Gilt = A female hog which has not produced a litter.

Source: USDA, Economic Research Service calculations based on USDA, Agricultural Marketing Service data.

Should shift our thinking about spot markets as the locus of price discovery?

You can put Lipstick on a pig, even color it's hair, put on a pretty dress if you dare!

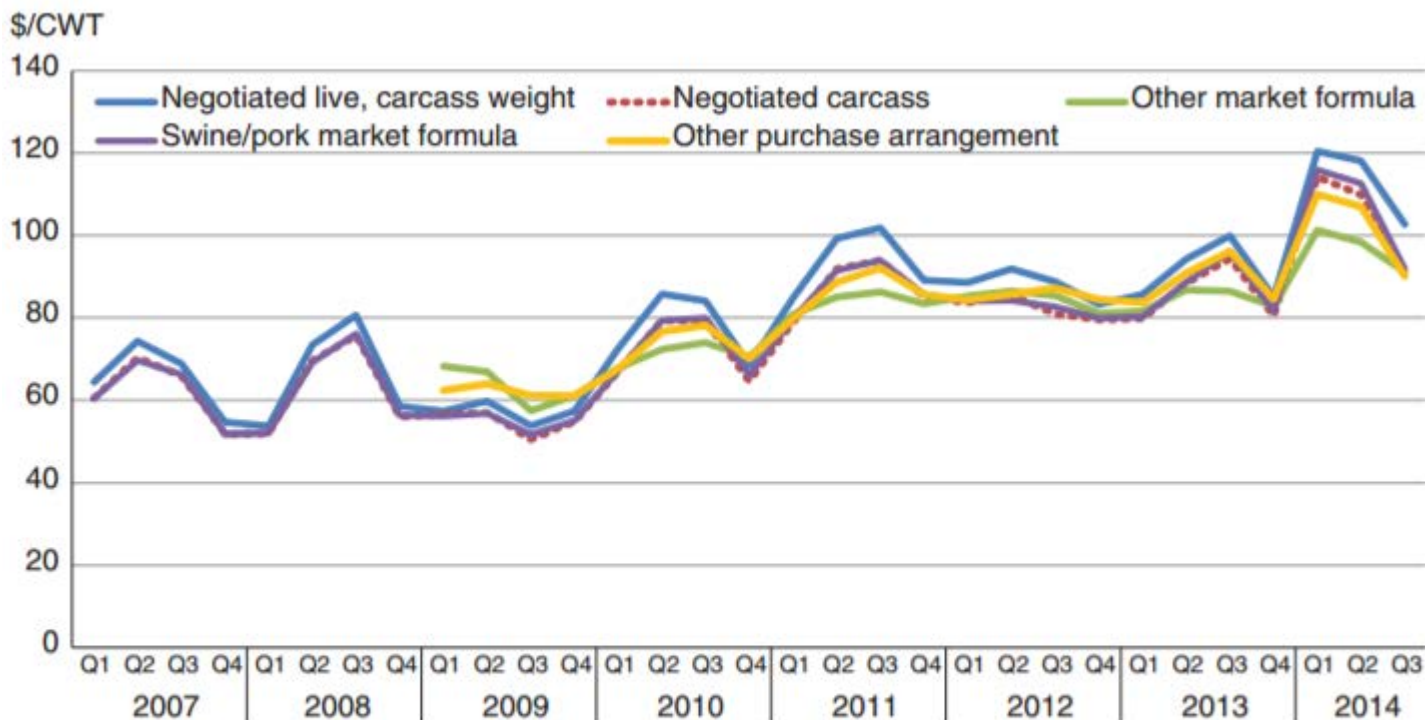
but it's still a 'PIG'



somee cards
user card


Can AMAs play a larger role in price discovery?

Quarterly-weighted average hog prices




Notes: CWT = Hundred weight or 100 pounds. Negotiated-live hog prices are negotiated between the producer and meatpacker, and producers are paid based on the live weight of the hogs. Live-weight prices are converted to carcass-weight prices using a live-to-carcass yield of 74 percent. Negotiated carcass prices are also set by producer-meatpacker negotiations, but producers are paid based on the carcass weight of the slaughtered hog. Swine/pork market formula hogs are priced using formulas based on either hog prices or wholesale pork prices. Other market formulas use something other than hog or pork prices to set the price. Other marketing arrangements cover the rest of the hogs sold. Source: USDA, Economic Research Service calculations based on USDA, Agricultural Marketing Service data.

LMR is more than mandatory price reporting—it provides market information




United States Department of Agriculture
Agricultural Marketing Service




Boxed Beef Reporting Dashboard

Conversion: 1 Load = 40,000 lbs

LIVESTOCK, POULTRY & GRAIN
MARKET NEWS

Help Guide 

Use the  buttons to change chart scales

Individual Beef Items | **Aggregate Beef Data**

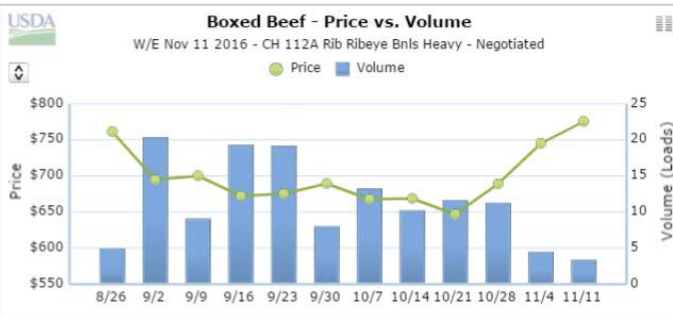
Weighted Average Price | **Volume**

Weekly Boxed Beef - Volume - Negotiated
W/E Nov 11 2016 (Loads)

#	Description	Current	Year Ago	3-Year Avg
1	CH 112A Rib Ribeye Bnls Heavy	3.36 ↓	6.03 ↓	5.26
2	SE 112A Rib Ribeye Bnls Heavy	3.34 ↑	2.76 ↓	2.99
3	CH 114A Chuck Shoulder Clod Trmd	40.99 ↑	25.49 ↓	38.52
4	SE 114A Chuck Shoulder Clod Trmd	11.47 ↑	7.85 ↓	12.02
5	CH 116A Chuck Roll Lxl Neck/off	13.72 ↓	23.44 ↓	26.05
6	SE 116A Chuck Roll Lxl Neck/off	27.34 ↓	37.45 ↓	34.90
7	CH 120 Brisket Deckle-off Bnls	10.25 ↓	21.16 ↓	19.79
8	SE 120 Brisket Deckle-off Bnls	7.06 ↓	11.59 ↓	9.84

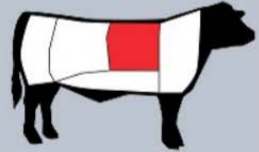
Click a column header to sort

Boxed Beef - Price vs. Volume
W/E Nov 11 2016 - CH 112A Rib Ribeye Bnls Heavy - Negotiated



Criteria

CH 112A Rib Ribeye Bnls Heavy

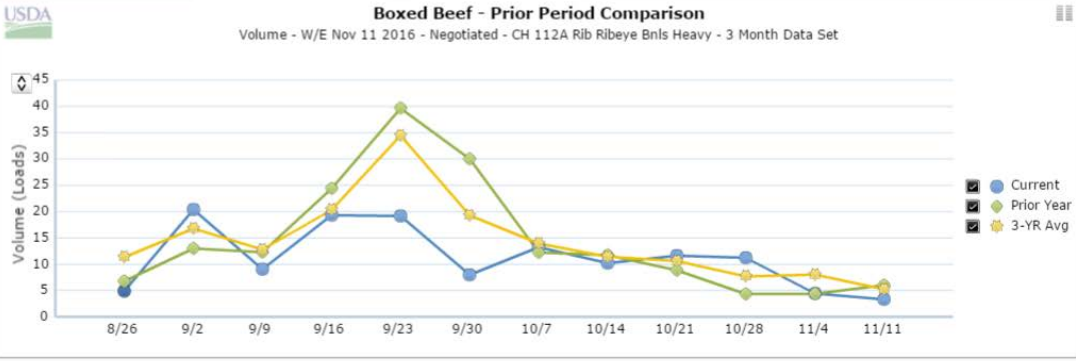


Year: 2016 | **Nov-11**

Week Ending:

Apply

Boxed Beef - Prior Period Comparison
Volume - W/E Nov 11 2016 - Negotiated - CH 112A Rib Ribeye Bnls Heavy - 3 Month Data Set



Excel
 CSV
 XML
 PDF
 Download

Daily Market Information

3 lbs @ \$180.97 | SE 114A Chuck Shoulder Clod Trmd 15,939 lbs @ \$182.10 | CH 116A Chuck Roll Lxl Neck/off 126,467 lbs @ \$294.18 | SE 116A Chuck Roll Lxl Neck/off

Lack of information hinders price discovery and market efficiency



Parting thoughts

- Important to think about LMR in whole, not just its component parts
- Information is like grease—more is (usually) better
- Regulations are difficult to change, but laws are even more difficult to change
- There is no silver bullet to address thin market and price discovery issues
- If not LMR, then what?

For more information:

- Email:
 - wpreston@oce.usda.gov
- Office of the Chief Economist Homepage:
 - www.usda.gov/oce
- WASDE Secretary's Briefing Slides:
 - http://www.usda.gov/oce/commodity/wasde/Secretary_Briefing.pdf

