

USDA-AMS Wholesale Pork Price Reporting Final Report Summary

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Cooperative agreement
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The screenshot displays the USDA-AMS website interface. At the top, the USDA logo and "United States Department of Agriculture Agricultural Marketing Service" are visible. Below this is a navigation bar with links: Home, About AMS, Newsroom, Opportunities, Online Forms, Help, and Contact Us. A search bar labeled "Search AMS" is on the left, with a "Go" button and links for "Advanced Search", "Search Tips", and "Market News Search". Below the search bar is a "Browse by Subject" menu with categories like "Commodity Areas", "Market News" (highlighted), "Grading, Certification and Verification", "Science and Laboratories", "National Organic Program", "Commodity Purchasing", "Agricultural Transportation", "Farmers Markets and Local Food Marketing", "Fair Trading Regulations", "Industry Marketing and Promotion", and "International Marketing". The main content area is titled "Market News" and includes a "You are here: Home / Market News" breadcrumb. Under "Pork Reports", there are two sections: "Daily" and "Weekly". The "Daily" section lists reports such as "Hog and Pork Summary Report PDF", "National Daily Carlot Pork AM", "National Daily Carlot Pork PM", "National Daily Carlot Pork PM CSV", "National Daily Carlot Pork Overview PDF", "Pork and Beef Variety Meats Report", "Pork and Beef Variety Meats Report CSV", "Tallows, Proteins, and Hides Report", and "Tallows, Proteins, and Hides Report CSV". The "Weekly" section lists reports like "By-Product Drop Value Report (Hog) (Fri)", "National Weekly Retail Pork Cuts - Forward Negotiated Trades (Mon)", "Weekly Retail Pork Feature Activity Report (Fri) PDF", "Weekly National Carlot Pork - CSV", "Weekly Pork and Beef Variety Meat Report - CSV", and "Weekly Tallow, Protein, and Hides Report - CSV". On the right side, there are three boxes: "I Want To" with a link to "Subscribe to Reports" and "Return to Main LGMN", "Resources" with a link to "Search Pork Archives", and "Media Help" with a link to "Download Acrobat Reader".

Project Purpose

- 1. Identify changes needed in current reporting to improve value of information**
 - ☐ 5 to 12% of total US pork production captured through voluntary reporting
 - ☐ 7 to 16%, if considering only domestic pork consumption market
- 2. Evaluate economic impacts of moving to a mandatory pork price reporting system**

Frequency of Days When AMS did not Report a Wholesale Pork Price, Selected Products, 2001- October 2009

Product	2001-2003	2004-2006	2007-2009
Loin, Bone-in, 1/4" Trim 21#/DN-LGT	18%	26%	19%
Loin, Bone-in, 1/8" Trm/less 21#/DN-LGT	47%	52%	28%
Loin 1/4" Cntrcut, Bnls Strp-On, 10-11 Rib 5-11#	28%	22%	11%
Loin 1/4" Cntrcut, Bnls Strp-Off, 10-11 Rib 5-11#	40%	35%	28%
Loin, Bnls Sirloin .75-1.5#	26%	36%	17%
Picnic, Bnls, Fresh 72% combo	50%	64%	77%
Butt, 1/4" Trim 5-10#	11%	17%	7%
Butt, 1/4" Trim Steak Ready 5-10#	66%	81%	79%
Butt, 1/8" Trim Steak Ready 5-10#	76%	68%	46%
Sparerib, 2/bag, 3 bags PCVAC 4.25/up#-MED	33%	33%	16%
Ham, Bone-in, Trimmed 17-20#, Trim Spec 1	28%	50%	67%
Ham, Bone-in, Trimmed 20-23#, Trim Spec 1	11%	26%	36%
Ham, Bone-in, Trimmed 23-27#, Trim Spec 1	11%	22%	23%
Ham, Bnls 94-96%, 4 Muscle Group	92%	78%	58%
Ham, Bnls 94-96%, 5 Muscle Group	81%	82%	74%
Belly, Sdls, Skin-on, Trimmed, 12-14#	56%	81%	58%
Belly, Sdls, Skin-on, Trimmed, 14-16#	39%	65%	47%
Belly, Sdls, Skin-on, Trimmed, 16-18#	54%	69%	73%
Fresh 42% combo	21%	41%	53%
Fresh 72% combo	10%	26%	33%
Fresh, Skinned Jowls	87%	96%	97%
Fresh Trim, Visual Trace of Lean, 12-16% combo	96%	77%	82%

Scope of Project

- Identifying problems with current pork price reporting.
- Determining how changes in pork processing and trade are affecting pork price reporting.
- Assessing to what extent mandatory price reporting would reduce pork price reporting problems.
- Identifying potential benefits and costs of moving to a mandated pork price reporting system.

Tasks completed to accomplish the goals

- **Information gathering.**
- **A review of relevant literature regarding price reporting and its value.**
- **Analysis of historical trends in hog and pork pricing practices, trade, cold storage, pork prices, exports, and related industry developments.**
- **Summarizing pork price reporting volume and frequency of missing or unreportable price quotes.**

Current Reporting: What We Learned

Industry players possess a diverse set of opinions

Concerns & observations include:

- Problems have been discussed for a long time...
- Continued thinning of negotiated cash wholesale pork market
- Does not address directly thinning of negotiated market
- Reported prices may not be representative
- Diversity of products makes standardization challenging
- A lot of pork formula priced off market top
- Increasing prevalence of within-company trades
- Increasing prominence of case-ready product
- North American trade especially of broader need to report
- Inclusion of any other than No. Amer. does not make sense
- Any load volume requirement change has pros and cons.

Mandatory Reporting: What We Learned

Concerns & observations include:

- Mixed incentives sellers/buyers judged against USDA-AMS quotes
- Selective reporting is possible and may be “good” or “bad”
- Would be costly to comply for some packers
- Does not address directly need to expand time windows beyond 7 (processing) or 10 (retail) days on negotiated trade
- More volume captured in report is not the (only/main) problem
- Product/specification diversity = challenges to standardize
- Impacts of confidentiality (3/70/20) on frequency of reported trades

Results

- Wholesale pork price reporting is thin and suffers from frequent missing or unreportable price quotes for subprimals and the frequency has worsened over time.
- Missing or unreportable price quotes are mostly associated with changes over time in the way pork is traded.

Results (cont.)

- Causation of reduced reporting frequency lies largely with industry practices that are inconsistent with current USDA guidelines defining reportable trades.
 - traded in forms that are either not reported or not reportable (e.g., enhanced product, case ready product, branded product, or frozen product),
 - transacted through intra-firm transfer, through inter-firm transfer, through formula pricing, through forward price contracts well in advance of delivery (beyond 7 or 10 days forward as used by AMS), and
 - destined for export markets.

Results (cont.)

- Pork price reporting thinness is resulting in less trust in reported prices by industry participants, raising concerns about potential selective price reporting, and generally causing reduced public value of published price reports.
- Overall, moving to mandatory price reporting has some support at every segment of the industry we interviewed (producers, packers, processors, retailers, and food service).
 - That support is certainly not unanimous.
 - Mandatory price reporting would offer potential societal benefits.
 - However, benefits of adopting mandatory pork price reporting would likely be modest and smaller than some industry participants might anticipate.

Results (cont.)

- **Mandatory wholesale pork price reporting alone would not address many of the concerns of industry.** In particular, industry largely would like to see a price reporting system designed and implemented to effectively:
 - capture increasing product heterogeneity
 - capture various enhanced products,
 - capture case ready product because of branding and product heterogeneity,
 - include export sales to Canada and Mexico,
 - deliver separate reports for formula and forward pricing methods, and
 - capture pork belly transactions that better reflect what industry actually trades.
 - product to be delivered within three weeks instead of just ten days or two week.

Implications

- Mandatory wholesale pork price reporting would likely reduce the number of missing daily pork subprimal product price quotes, unless confidentiality clauses became problematic precluding publication of specific prices.
- The seriousness of the limitations caused by confidentiality clauses in pork price reporting would in part depend upon the aggregation scheme AMS designed versus trying to report price for more differentiated products.
 - As the number of pork subprimal product specifications that are reported increases, the more likely the confidentiality clause would be binding.
- Mandatory wholesale pork price reporting would reduce concerns about potential selective price reporting.

Implications (cont.)

- Mandatory wholesale pork price reporting would encourage more industry participants to use weighted-average prices in formula trade instead of market top prices, as is current practice with a majority of pork trade.
- Mandatory wholesale pork price reporting would increase price information to small market participants more than it would to large volume market participants.
 - However, large firms tend to have a comparative advantage in data analysis making them more able to analyze and utilize additional published data that might come with mandated price reporting.

Implications (cont.)

- If wholesale pork price reporting is made mandatory, the price reporting legislation should provide AMS with the flexibility necessary to modify price reports as the industry evolves. For example, AMS needs to be able to modify price reporting to accommodate evolving technologies for enhancing product, new industry processing practices, and changes in product segmentation and labeling.
- Reporting wholesale pork prices for differentiated products should be explored further by AMS because such products are likely to continue to grow in importance. As these products grow in popularity, they remove product from reportable trade under current AMS reporting guidelines.

- Full report at
 - www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5083549
- Summary report at
 - <http://www.ksre.ksu.edu/library/agec2/MF2931.pdf>