Introductions – Doug Corwon, Federal Mediation and Conciliation Service (FMCS)
The conference call began at 12 p.m. with the following stakeholder groups represented:

- American Farm Bureau Federation
- American Sheep Industry
- Livestock Marketing Association
- Livestock Marketing Information Center
- Meat Import Council of America
- North American Meat Institute
- Value Ag, Inc.
- Mountain States Lamb Cooperative/Mountain States Rosen Company
- Superior Farms

Welcome and Conference Call Guidelines – Doug Corwon, FMCS
FMCS reviewed the conference call guidelines, and asked each participant to identify themselves before they speak. FMCS also indicated they would sometimes go down the list of participants, and call on each person or organization for a response to make sure everyone has a chance to provide input.

Welcome and Agenda – Mike Lynch, Livestock, Poultry, and Grain Market News (LPGMN) Director
Mike welcomed everyone on the call and reviewed the agenda. Mike indicated that the meeting would include an executive summary of the confidentiality study conducted by Value Ag, Inc. Stakeholders would be given the opportunity to provide feedback on the study, and cover the other items listed on the agenda. He reminded participants that the time limit for the call is two hours, and noted that everyone can continue working together after the call.

Meeting Format and Requirements – Tom Bolick, USDA Office of General Council
Tom reiterated the intent and format for the meeting. He indicated that USDA is soliciting individual feedback and advice from the attendees on what the organizations in each commodity area would like addressed or changed to improve the LMR program. He reminded participants that this meeting is not a federal advisory committee and that consensus is not sought. He mentioned the need to be mindful of anti-trust laws. He said that the group is not engaging in collusion or price fixing – which could result in legal consequences. He reminded everyone that any comments made during the meeting will be transcribed and submitted for the public, so it is important not to discuss confidential information. Mike reminded everyone that summary notes of the meeting will be submitted to the participants to review for accuracy. After any clarification, the summary notes will be posted on the AMS website.

Discussion of Topics:

1. Confidentiality Study Review – Dr. Joe Parcell, Value Ag, Inc.
At the request of the lamb industry, AMS engaged Value Ag, Inc. to conduct a study to examine alternative methods to report LMR lamb data while still preserving confidentiality requirements. Value Ag assessed the viability of relaxing the LMR confidentiality guidelines and developing alternative price reporting calculations that would maintain the integrity of the “printed” price as a result of price discovery between supply and demand; ensure minimal infringement of private company information; and not facilitate the act of market collusion.
Ultimately, the study found that relaxing the LMR confidentiality guidelines would not be feasible. However, the study did explore other alternative methods for aggregating data to enable reporting lamb market information while still preserving confidentiality requirements.

Value Ag believes the AMS comprehensive price to be a viable price series for industry use. Although, they did note that this option is “noisy” as it captures a lot of different types of transactions. AMS currently publishes comprehensive information that includes all negotiated, formula, and cooperative member lamb data submitted each week on the National Weekly Slaughter Sheep Review Report.

The study also found that a standardized pricing approach is worth industry and AMS consideration, should the comprehensive price not be sufficient to meet industry needs. This approach relies upon price relationships from the two most recently completed market weeks as well as the proportion of transactions containing attributes of interest for the reported week.

In general, the study findings for live lamb hold for lamb products. For the lamb product cut prices associated with more than one firm reporting and now unreportable, there are three potential price reporting alternatives. The impact of any one, or combination, of these alternatives will lead to a marginal improvement in reporting of five or six price series. First, consideration should be given to merging fresh and frozen product with a rule for eliminating frozen product outlier data points. Second, AMS could explore a longer rolling average period. However, Value Ag does not believe this alternative will consistently solve the confidentiality issue. The second option, viewed as a viable option, is applying the standardized pricing model when a specific cut no longer consistently conforms to LMR confidentiality guidelines and for which there is more than one firm reporting.

In November, AMS reported that the data for lambs was around 2,000 pieces compared to 10,000 for swine and cattle. Stakeholders reiterated that one size doesn’t fit all, and to convey that lamb reporting doesn’t fit the LMR program is not acceptable. The issue at hand is that the industry does need data. The

**Study Discussion Topics:**

**a. Confidentiality Guidelines**

When discussing the current confidentiality guidelines, some participants questioned whether or not we should start from scratch and reinvent the guidelines for LMR Lamb. Some felt that using the same guidelines as those used for cattle and swine reporting is not feasible given the concentration of the industry.

One stakeholder said that industry should know what prices lambs brought last week. The stakeholder doesn’t believe daily reporting is feasible, but maybe weekly reporting will suffice. They reiterated that we are currently looking in the rear-view mirror with lamb reporting, and we should investigate looking at different types of thresholds.

In November, AMS reported that the data for lambs was around 2,000 pieces compared to 10,000 for swine and cattle. Stakeholders reiterated that one size doesn’t fit all, and to convey that lamb reporting doesn’t fit the LMR program is not acceptable. The issue at hand is that the industry does need data.
confidentiality guidelines are preventing that from happening, but it does protect the integrity of the data. All agreed that we need to provide robust reporting so that the marketplace has the information they need and that the buyer and seller are equally informed. That should be the objective for solving the confidentiality issue.

No one is happy with the robustness of the reports right now. As a group, stakeholders were encouraged to think outside the box and explore possibilities outside of 3/70/20. There are a lot of bright people involved on the call, and on USDA staff, and in academia, and no one has come up with something better given the complexity of the issue. Several years ago, AMS had asked counsel if reporting packers can waive their right to confidentiality, and counsel said “No” at that time. The topic was discussed again during the conference call meeting. For the packers who are required to report, are they willing to waive their right to confidentiality? Unless everyone consents, you can’t waive confidentiality for anyone. The only way this would work would be if the entire industry says, “Yes, we will do this.” However, no one would be bound by this. This would be conditioned on the terms of the least common denominator in terms of limits or timing which wouldn’t provide much legal certainty that this would be ongoing. At least one stakeholder said their policy would not support completely removing confidentiality.

**General Agreement:** Stakeholders would like AMS to study and explore modifications to the current confidentiality guidelines and to explore new guidelines for the lamb industry.

### b. Comprehensive and Standardized Reporting

This year, AMS initiated several significant changes to the National Weekly Slaughter Sheep Review report. The first change was suppression of formula purchase head count information in all LMR lamb reports. The second change was the addition of a comprehensive section with all lamb purchase type transactions aggregated into one price. This aggregation made the comprehensive price derived through more packers; therefore, data suppression is less likely with confidentiality strengthened.

A stakeholder asked how comprehensive price reporting contributed to this study. Additionally, the stakeholder noted that the standardized pricing concept appears to have the most merit, and wondered if standardized pricing is a tool that could be understood by the industry. Value Ag started the confidentiality study soon after AMS added a comprehensive section. Value Ag couldn’t go back and replicate this data historically; however, they tried to come as close as possible as to what the comprehensive looks like. Value Ag noted that standardized pricing has a lot of merit, especially when dealing with very noisy data. It does take a much different approach than the usual spirit of LMR and it does require some pieces not to be reported.

Another stakeholder reiterated that industry needs the most robust price reporting as possible, and that standardized reporting takes away the robustness. Standardized pricing is a big step in a different direction compared to where the industry has been, and we are talking about standardizing a product that may not be standard. We will always want to know what the other characteristics are in that market. With standardized pricing, it would be difficult to understand it; however, statistically it does a good job of taking the noise out of the data.

When asked how others feel about the comprehensive value, a stakeholder said it goes back to the robustness of the report. It is another number. The industry currently has only three numbers, and anything that can be added is helpful. It may not be as robust as the industry would like to see, but having another market reported is helpful. It was also noted that the comprehensive value is not a substitute for the other two categories. It is a barrel of apples with different kinds of apples in it. By suppressing the volume of data, it does limit the ability to see what is happening. This was termed to be a short-term option, and it should continue to be viewed as a short-term option.
Producers still struggle with understanding the comprehensive value. It does provide a tool for people to see how things are being traded in the different categories. Because it is new, it is hard to say “Yes” or “No” definitively on whether it is a useful tool to the industry.

c. Cooperative Lambs

Earlier this year, AMS expanded the comprehensive section to include cooperative member lamb transactions. A stakeholder asked if AMS is potentially not following the Act by identifying a reporting party in the report. AMS clarified that it is not giving the name of the company, but stating that it includes member lambs to be transparent about what is in the comprehensive information. The problem is that there is only one company in that line of business. AMS stated that if anyone feels that it needs to amend the label, the change can be made.

Since volume is being suppressed, that took away the confidentiality issue, and that includes the volume being suppressed in the formula. A stakeholder stated that it still is not clear why AMS sorted the cooperative lambs out as being different from the industry and said it appears to be political. A market is a market, and the stakeholder dislikes the fact that they have been sorted out. The stakeholder stated that they are trying to find a way to report their lambs, and have worked with others to get buy-in as to what that might look like, such as comparing comprehensive with and without the cooperative lambs included. The stakeholder hasn’t included different purchase type because there isn’t total industry agreement. Formula pricing needs to be reported, and cooperative lambs should be included in the category that fits.

Another stakeholder stated that it was an improvement to include cooperative lambs. The co-op must compete in a competitive marketplace to get those lambs, even among the members. If we ask co-op members in any other industry, “Does the co-op own your production, or do you own it?” all would say they own it. For the most part, the structure of a co-op lends itself to being competitive for their members’ production. The prices that they pay are competitive market prices – still part of this marketplace. Including those prices is a reasonable thing to do and would help the situation. Another stakeholder agreed that it’s a competitive market and cooperative lambs should go in the bucket where they belong.

Another stakeholder asked if we should consider the investment those owners are taking and their dividends. A stakeholder reiterated that it is the same business model, not a different one. If you were a stockholder in another company and sold them your products, you may receive a dividend, but that doesn’t affect the price you are getting. You can sell your product to someone else who will pay more. There may be producers who may or may not sell their products. It really doesn’t create a different price than one would find in the marketplace.

Another stakeholder stated that when the co-op buys a lamb not from its member, it is still reported. Only some transactions are not reported. AMS responded that they are reported as packer-owned – just the volume not the amount. They bent the form to report member-only transactions as the volume. Co-op lambs are reported, but not on a separate form. A stakeholder reiterated that the industry is currently constrained at best, and the industry being unwilling to report the cooperative lambs in the appropriate categories is hurting them.
d. **Premiums and Discounts**

A participant asked if premiums and discounts are collected and reported. If packers purchase lambs with premiums or discounts, they are required to submit this information on the LPS121 form. Currently, however, AMS does not show the premium and discount data on any reports.

e. **Voluntary Reporting**

Another option discussed is supplementing LMR data with voluntary data from auction markets covered around the country. Here, AMS could look at a target weight range and add it to the comprehensive data. AMS asked if more robust data in this regard would be helpful to the industry. One stakeholder stated that if you add voluntary cash data to the comprehensive report, you are putting more apple varieties in the same bucket. It may not be bad, but it may not solve our issues. Another stakeholder offered to work with AMS on this issue. Stakeholders were asked to research and pull some weight categories, avoid ethnic lambs, and identify which markets are covering these auctions. The next step would be that AMS would start working on this. Biggest caution with looking at that is that even if these lambs are being bought by a feeder, they could go into a feeder or slaughter or to an ethnic market – there are lots of unknowns that could make more noise within those reports. The reporters covering those options are well-trained and they are already reporting some as feeder lambs or slaughter lambs, etc. This would not affect the integrity of the market reports.

**Next Steps** – *FMCS*

FMCS suggested that perhaps an additional conference call is needed since not all topics were covered. Some proposed times were suggested but it wasn’t possible to determine the best date/time. Participants were asked to email AMS regarding their availability for another conference call within the next couple of weeks, and then the best date/time will be chosen and emailed to everyone.

**Adjournment** – AMS and FMCS thanked everyone for their participation, and they welcomed additional thoughts for the follow-on conference call. Meeting adjourned shortly after 2 p.m.
Introductions – Eileen Hoffman, FMCS
The conference call began at 1 p.m. with the following stakeholder groups represented:
- American Farm Bureau Federation
- American Sheep Industry
- Livestock Marketing Association
- Livestock Marketing Information Center
- Meat Import Council of America
- North American Meat Institute
- Mountain States Lamb Cooperative/Mountain States Rosen Company
- Superior Farms

Procedures/Ground Rules – Eileen Hoffman, FMCS
FMCS welcomed everyone and reminded participants of the procedures and ground rules for the meeting.

Welcome and Agenda – Mike Lynch, LPGMN
Mike reported that on the previous conference call, AMS got the feedback that was needed in response to the confidentiality study and the Report to Congress. This meeting was held to hear stakeholder’s views on the other agenda topics that weren’t covered at the previous meeting. He said that if there are other items, in addition to those listed on the agenda, stakeholders would have time to discuss those topics at the end of the call.

Discussion of Topics:

1. Purchase Type Volumes

During the last conference call, the topic of suppressing volume to show price information was discussed, but the topic hadn’t been concluded.

One stakeholder recommended that if you lag the volume for a week or so, it would be sufficient to protect confidentiality. To this point, AMS reiterated that if AMS shows the volume on a week delay, it would do nothing to protect confidentiality. In this consolidated industry, if only two packers submitted data, one packer could take their information out and would know what data the other packer submitted. There was some concern amongst the stakeholders that with a low number of packers submitting data in a thin market, confidentiality might not totally be protected.

Others were concerned that if market prices are lagged, the information is no longer very helpful for the market although it could be helpful for research. Another suggestion was for a quarterly or annual report rather than a weekly report.

Finally, a stakeholder reiterated that with the lamb industry, the biggest challenge is the consolidated thin market. As the group moves into the other agenda items, participants should keep in mind that there is a very thin market here.

2. Cooperative Lambs
Stakeholders discussed whether or not cooperative lambs should be included in the other purchase types. Currently, they are only included in the comprehensive value. During the previous conference call, all but one stakeholder favored including cooperative lambs in the other purchase types.

It was reiterated that being cooperative lambs doesn’t preclude them from being reported, and that reporting in the appropriate category is important. However, it was noted that the formula category currently is extremely broad, and the formula doesn’t tell the whole story. Some felt we need to specify what exactly is included in the formula. That would require regulatory action because currently the LMR regulation doesn’t dictate that level of specificity. AMS would need help in articulating what other factors/items that it needs to capture. It might be easier to define some of the factors on the report.

The LMR lamb purchase reporting form provides fields for the plants to report premium and discount information for weight, quality grade, or yield grade for formula purchased lambs. However, AMS has been unable to publish this information due to confidentiality. The question was asked whether AMS could report that information on a percentage basis, such as percentage of lambs paid premiums or discounts for the various factors.

After some discussion, there was general agreement that information reported for cooperative member lambs should be included in the formula or negotiated purchase type category according to how they are priced.

3. Committed Lambs

Stakeholders discussed the best way to report committed lambs. One stakeholder stated that market participants are always looking for a volume number for the next 30 days. For market analysis and projections, producers need to know inventory levels for marketing decisions.

Another stakeholder reiterated that there are two ways to look at it – if the intent is for the buyer and seller to be equally informed, then a committed number is important to the industry. If it is looked at as a marketing advantage or disadvantage, that needs to be stated. Lambs Committed was included in LMR and reported in the past. Since it was done in the past, it is hard to accept the argument against doing it now.

AMS asked if the definition of committed lambs was clearer to being limited to 30 days, and if that is something that the industry would support. To that point, a stakeholder stated that they would still be concerned with reporting information for their international competitors about the number of lambs being delivered. The stakeholder said they strongly believe that there are some voluntary reporting tools available and we can see the number of lambs in various places. Another stakeholder reiterated that the report is not asking for specific numbers. These reports are like a snapshot. That stakeholder preferred the mandatory system over voluntary reporting.

4. Pelt

AMS stated that, like committed lambs, pelts were very open in the proposed rule a year ago, but didn’t make it to final rule.

Pelts are currently reported by AMS on a voluntary basis. One stakeholder stated that industry is trying to get to a different price point, and to make the categories a little more accurate. The data currently reported on the pelt report is the actual selling price. The stakeholder would like to know what the raw
pelt value is. There is some value in knowing what pelts are sold for, but having a pelt value at the producer level would be helpful. That is such an important part of lamb value.

There was discussion and some confusion about what is currently reported. AMS stated and confirmed after this conference call that there is one report that covers the prices paid by the packers to producers for raw pelts. AMS also stated that they need to provide additional industry education as to what is reported.

AMS agreed to review and provide greater clarity on this issue.

5. Imported Product

AMS mentioned that one issue it has struggled with is reporting certain imported cuts. It’s not a matter of volume. It has more to do with the limited number of participants handling certain products. AMS explored combining New Zealand and Australian products, for example, and other ways. This brings up another part of the discussion – how to evaluate cut styles. The industry is constantly changing cut styles, and at some point would like to discuss this topic as a group with AMS.

There were concerns about confidentiality and the total volume is shown, but not certain cuts. No solution was proposed for this issue at this time.

6. Boxed Lamb and Lamb Carcass Cutouts

The group discussed boxed lamb and carcass cutouts, specifically cutting styles. One stakeholder mentioned they ask AMS every year to visit processors and make sure the cut styles are accurate, knowing that different companies have certain specifications. AMS updated yields, cut styles, and production costs last January, and put out a request this year to packers and processors to update those yields in January 2018.

Another stakeholder asked if updating the processing and packaging costs was being done on an annual basis. AMS responded that these costs are updated annually along with the product yield information.

7. Other Items

AMS opened the floor for any additional comments or discussion items that weren’t on the agenda.

Concerns expressed by participants included the number of lambs slaughtered each week which are not reported, as well as considering including the comprehensive number in the weekly summary. AMS notes that this is already included in the LM_LM352 report. Additionally, there was discussion around what the transaction is and where it occurs. There was a concern that there are two points where reporting may occur – when lambs are slaughtered and when lambs are purchased. These two figures might have some overlap, leading to double reporting. Stakeholders also reiterated that despite the thin industry, they hope AMS can find solutions to report as much information as possible.

8. Final Comments

Stakeholders expressed appreciation for the opportunity to give and receive information and opinions on LMR lamb reporting.

AMS shared its appreciation for the opportunity to have these meetings and benefit from the sharing of information. Summary notes from both LMR lamb stakeholder meetings will be posted on the AMS
website, after the participants have a chance to review for accuracy. AMS’s goal is to get the report to Congress by March 1, 2018.

**Adjournment** – Meeting adjourned shortly after 3 p.m.