Livestock Price Reporting AMS Webinar

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How did Mandatory Livestock Price Reporting come about?

- Evolution of how commerce is conducted in the swine industry
- Marketing of animals evolved from stockyards and auction markets to more packer direct sales of hogs by producers
  - Evolved slowly after WWII and accelerated in the 1980’s
    - To the point where volume of reported animals was low and all done on a voluntary basis
    - The need for more transparency was apparent
Background

• NPPC, together with beef and lamb interests, pursued what is known as the Livestock Reporting Act of 1999

• Pork elements of the Act:
  • Mandatory Price Reporting for live swine
  • Swine Contract Library under Packers and Stockyards
Mandatory Swine and Pork Price Reporting

• Sought to have USDA Market News serve as a third party to provide information for the use of the entire industry, particularly producers.
• The swine section was very prescriptive in terms of what and how the information was reported.
• Act included the need for a reauthorization every 5 years.
  • This allows for needed changes to happen more rapidly.
• Was designed to be a mirror as to what is happening in the marketplace.
• Was not and is not a price discovery mechanism (does not establish prices although some may use it as a reference point in negotiations).
• Purchase data is Mandatory for any packer who on average harvests more than 100,000 head of swine in a year
  • Reported to AMS at multiple times during the day
  • AMS applies a high degree of confidentiality of raw data as well as takes great care in the different reports to not share data that could inadvertently indicate a given company’s position in the marketplace
  • Data is published in a series of reports which will be touched upon during these webinars
Mandatory Swine and Pork Reporting

- Has been reauthorized since it was created (sometimes with short term extensions like now)
- Pork cuts were added to MPR in the 2010 reauthorization
- There have been short periods of time where reporting has been suspended during Government shutdowns (17 days was the longest)
- The data from reports has become second nature to the industry and used throughout for:
  - Producers selling pigs
  - Packers buying pigs
  - Customers buying pork
  - Packers/processors selling pork
  - The reports are used as a component in the CME lean index as well as other risk management products
Mandatory Swine and Pork Reporting

- Is unique in swine and pork industries in the world
  - For the breadth and frequency of reports
    - A point I am often reminded of by my colleagues in other pork producing nations
    - Offers information for decision makers throughout the industry
    - AMS Livestock News Staff takes the responsibility for accuracy and confidentiality extremely seriously
  - This set of webinars is a starting point for further understanding (and use) of these swine and pork reports