



**Highlights of the Negotiated Cattle Delivery Period Breakout
Analysis Regarding Confidentiality
April 2017**

As requested by the industry members at the February 2017 Cattle and Beef Stakeholder Meeting, AMS conducted an analysis of the 0-14 and 15-30 day delivery periods in the negotiated cattle market. The purpose of this study was to evaluate whether these two delivery periods could be reported separately and still meet the LMR confidentiality guidelines in order to be published, and evaluate the price differences between the two delivery periods.

AMS reviewed the 5-Area region ([LM CT150](#)) data for 2016 to determine if the negotiated 15-30 day delivery period data would pass the 3-70-20 confidentiality guidelines on a weekly basis. AMS also examined the last 12 weeks of 2015, since the 3-70-20 guidelines are based on 60 business days.

A total of six companies purchased cattle on a negotiated basis within the 15-30 day delivery period during 2016. Five companies were the most that traded in any given week. Two major packers had purchased roughly 93% of the 15-30 day volume in 2016, and were the only companies buying cattle for this delivery period for 39 of the 64 weeks of data analyzed.

AMS has been reporting the volume of trade in the 0-14 and 15-30 day delivery categories on the weekly national report ([LM CT154](#)) since 2010. Chart B below shows the reported volume of the 15-30 day category was pretty insignificant until 2014. Since then, there has been increased trading in this category; however, as shown below, the reported volume has been inconsistent and seasonal in nature. At the same time, since only two of the major packers dominated the volume of the 15-30 day negotiated purchases reported during 2016, this category passed the 3-70-20 confidentiality guideline only 12 out of 52 weeks.

Since AMS would not have been able to publish price and volume information on the negotiated 15-30 day delivery period for 40 weeks of the year, there would have been 443,645 less negotiated cattle published in the 5-Area during 2016. This means that 10% of the annual reported negotiated number in the 5-Area would have been suppressed (In 2016, the total negotiated head count reported in the 5-Area was 4,576,913). This is significant given the industry's concerns about the decline in the reported quantity of negotiated cattle (see Chart C below).

AMS was able to provide price comparison data for only the 12 weeks in 2016 weeks that the 15-30 day delivery period passed confidentiality. As shown in Chart A below, the price differences between the 0-14 and 15-30 day periods varied week to week; however, the average difference for the 12 weeks studied were \$0.81/cwt on a live basis and \$1.46/cwt on a dressed basis (see Chart A).



Chart A

Week Ending	0-14/15-30 LIVE FOB Price Spread	0-14/15-30 DRESSED DELIVERD Price Spread
7/11/2016	(\$0.54)	\$0.27
7/18/2016	\$0.37	(\$1.84)
7/25/2016	\$1.21	\$4.39
8/1/2016	(\$0.20)	\$1.14
8/8/2016	\$1.30	\$1.24
8/15/2016	\$2.03	\$2.93
8/29/2016	\$1.61	\$2.52
9/5/2016	\$1.42	\$3.10
9/12/2016	(\$0.12)	\$1.80
9/19/2016	\$0.27	(\$0.07)
9/26/2016	\$1.32	\$1.74
10/3/2016	\$1.05	\$0.30
Average	\$0.81	\$1.46



Chart B

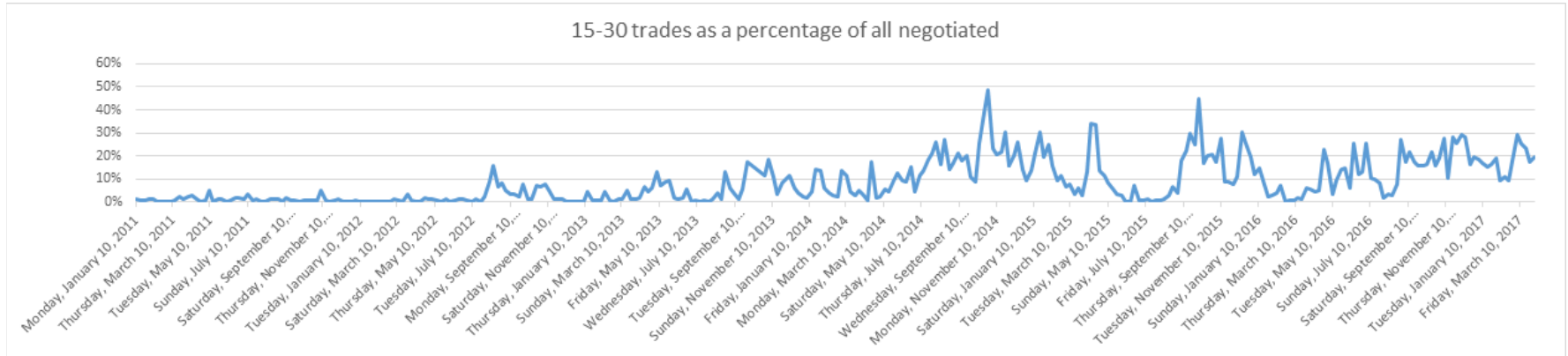


Chart C

5-AREA													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jan-Feb 2017
Cash	55.8%	52.0%	49.8%	45.3%	43.2%	42.4%	36.8%	27.8%	24.1%	24.0%	21.3%	26.3%	27.9%
Formula	31.9%	33.3%	35.9%	38.1%	42.3%	42.2%	46.5%	56.2%	61.8%	58.7%	58.8%	59.4%	57.6%
Forward Contract	4.6%	7.1%	6.8%	10.4%	8.1%	9.9%	10.9%	10.0%	8.6%	13.7%	16.7%	11.2%	12.1%
Negotiated Grid	7.7%	7.7%	7.5%	6.3%	6.4%	5.5%	5.7%	5.9%	5.4%	3.6%	3.2%	3.1%	2.4%