



Livestock Mandatory Reporting Stakeholder Meetings November 15 and 16, 2016 - Summary Notes

Day 1 - November 15

Welcome - Mike Lynch, USDA, Agricultural Marketing Service (AMS), Livestock, Poultry, and Grain Market News Division (LPGMN) Director:

Director Lynch welcomed everyone to Washington D.C. He indicated that the purpose of the meetings is to give attention to Livestock Mandatory Reporting (LMR) and to get feedback and advice on what changes may need to be made to keep it relevant to the marketing of livestock and meat commodities.

Introductions: All in the room introduced themselves, including the following.

Primary Representatives:

Mike Lynch, USDA, AMS, LPGMN
Tom Bolick, USDA, Office of the General Counsel (OGC)
Lawrence Switzer, American Farm Bureau Federation (AFBF) - Cattle/Beef
Trudy Wastweet, AFBF - Swine/Pork
Katelyn McCulloch, AFBF - Sheep/Lamb
Benny Cox, American Sheep Industry (ASI) - Sheep/Lamb
David Lehman, CME Group - Cattle/Beef; Swine/Pork
Chelsea Good, Livestock Marketing Association (LMA) - Cattle/Beef
Steve Koontz, Livestock Marketing Information Center (LMIC) - Cattle/Beef
Joe Parcell, LMIC - Swine/Pork
Kurtis Ward, National Cattlemen's Beef Association (NCBA) - Cattle/Beef
Barbara Patterson, National Farmers Union (NFU) - All
Brian Stevens, National Pork Producers Council (NPPC) - Swine/Pork
Art Wagner, North American Meat Institute (NAMI) - Sheep/Lamb
Bob Darrell, NAMI - Swine/Pork
Dennis Stiffler, NAMI - Sheep/Lamb
Mike Schultz, R-CALF USA (R-CALF) - Cattle/Beef
Joe Harris, Southwest Meat Association (SMA) - Cattle/Beef
Jim Lovell, Texas Cattle Feeders Association (TCFA) - Cattle/Beef
Jess Peterson, United States Cattlemen's Association (U.S. Cattlemen) - Cattle/Beef

Alternate Representatives:

Paul Rodgers, ASI - Sheep/Lamb
Erica Sanko, ASI - Sheep/Lamb
Megan Agruso, CME Group - Cattle/Beef; Swine/Pork
Vernie Hubert, LMA - Cattle/Beef
Ed Greiman, NCBA - Cattle/Beef
Greg Howard, NPPC - Swine/Pork
Surcy Peoples, TCFA - Cattle/Beef
Lia Biondo, U.S. Cattlemen - Cattle/Beef



USDA Speakers:

Elanor Starmer, AMS, Administrator
Craig Morris, AMS, Livestock, Poultry, and Seed Program (LPS) Deputy Administrator
Warren Preston, Office of the Chief Economist (OCE), Deputy Chief Economist
John Gallagher, AMS, Information Technology Service (ITS)
Taylor Cox, AMS, LPGMN
Jodie Pitcock, AMS, LPGMN
Jason Karwal, AMS, LPGMN
Bill Worlie, AMS, LPGMN
Lakisha Aller, AMS, LPGMN
Brittany Koop, AMS, LPGMN

Federal Mediation and Conciliation Service (FMCS) Facilitators:

Eileen Hoffman
Doug Corwon
Ramona Buck
Cailey Steubner
Edward Bantle

Welcome Remarks – Elanor Starmer, AMS Administrator:

Administrator Starmer thanked all for coming and indicated that the meeting is a testament to the ability of the industry and the U.S. Department of Agriculture (USDA) to dialogue effectively and to the value of doing so. She mentioned the upcoming transition to a new administration and wanted to reassure people that the USDA doesn't see any changes in this congressionally mandated process, and will defend this process and the LMR program to the new administration as needed.

Meeting Scope and Goals – Dr. Craig Morris, LPS Deputy Administrator:

Deputy Administrator Morris thanked everyone for participating and reiterated the Department's commitment to the process of communicating and interacting with industry. He indicated that the USDA needs to communicate to Congress with regard to the 2020 Reauthorization of LMR with as clear a message as possible about the issues that need to be addressed. He explained that this two-day meeting would be an opportunity to share exactly and transparently how the process works. He expressed the hope that attendees would take the information back to their membership. Then the job will be for the three commodity areas to consider the issues and try to come up with proposals and solutions to problems.

He mentioned that Dr. Warren Preston, USDA Deputy Chief Economist, is present and that he will be one of the primary authors of the final study report. He hoped that Preston would be contacted by representatives as an asset to the process. He also mentioned that when the



government shutdown occurred, some began to realize for the first time the value of the LMR. He hopes that documenting the importance of LMR can be one of the outcomes of the group. He indicated that the charge for the group is to:

1. Analyze current marketing in the cattle, swine and lamb markets;
2. Identify legislative or regulatory recommendations made by cattle, swine, and lamb producers and others to ensure that information provided is readily understandable, reflects current marketing practices, and is relevant and useful to producers, packers and market participants;
3. Analyze the price and reporting services related to cattle, swine, and lamb;
4. Address any other issues that the Secretary deems appropriate.

He indicated that by March 1, 2018, the USDA is to submit to the Senate and House Agriculture Committees a report with the findings and outcomes of these meetings.

Federal Advisory Committee Act (FACA) and Anti-Pricing – Tom Bolick, OGC Senior Counsel:

Senior Counsel Bolick reminded people that Agriculture Reauthorizations Act of 2015 § 104 requires AMS to consult with market participants in the creation of an AMS study that will be provided to Congress before the next reauthorization of the Act in 2020 and that the meeting of today is to initiate the study and begin to fulfill the mandate. He cautioned stakeholders in attendance that:

1. They are not being asked to participate as an advisor or as a part of a federal advisory committee and are not being asked to make consensus decisions, but rather are being asked to provide advice and input in their individual capacities, or on behalf of groups they represent.
2. When giving their individual inputs, it will be important for the participating stakeholders to be mindful of the antitrust laws and careful not to engage in or create the appearance of collusion, price fixing, or other anti-competitive behaviors.
3. The meeting is a public forum and comments/input will be part of the reporting and made available to the public.

Review of Agenda, Role of Facilitators, and Procedural Rules – Eileen Hoffman, FMCS Commissioner:

(The following notes correspond to slides 1-15 of the [“Facilitator – Federal Mediation and Conciliation Service”](#) presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Commissioner Hoffman indicated that she and her co-facilitator, Commissioner Doug Corwon, would be facilitating discussion, but that any ideas or conclusions come from and belong to the



parties. She said that people would be hearing many thoughts along the way and encouraged people to express themselves fully.

Overview of LMR Baseline Study – Dr. Joe Parcell, Value Ag, Inc.:

(The following notes correspond to the [“Overview of LMR Baseline Study – Dr. Joe Parcell”](#) presentation posted on the [LMR Stakeholder Meeting webpage](#).)

Dr. Parcell explained the role he had with regard to visiting industry stakeholders and AMS related to this study and baseline. He indicated that it is important to note that there is consistency and understanding across the three species. He mentioned that there is both strong support for the program on the one hand, as well as diverse opinions as to whether it should exist or not, on the other. He indicated that LMR operates within dynamic industries with changes occurring all the time. He said one issue for LMR is to determine the critical times when they should make corresponding reporting changes. In determining this, he emphasized that communication has to go both ways and he thinks bringing stakeholders together on a regular basis is a good idea.

He considered some of the key findings of the baseline study:

- Livestock is being marketed in dramatically different ways today than in the recent past, and this change will continue.
- Confidentiality is an important issue and is there to protect the providers of the data and users. This issue cuts across all areas because all species have the same confidentiality guidelines.
- Another issue is lower negotiated trade. If there is change to the law, or in how or what information is collected, it has a ripple effect. So changes must be carefully weighed. If there are ideas that come out of this process, they can be analyzed and evaluated prior to 2020 to determine the total impact. There is a trend on the live animal side moving away from negotiated trades, which leads to thin trades. Some users are moving away from live animal prices to using a composite price, or the cutout price, for contracts. USDA takes mandatory reported data and blends it with voluntary information on yields and processing costs to come up with a cutout or composite value. There won't be a perfect correlation between the cut-out and the live animal prices.
- His group spoke with stakeholders about the evolution of farmer ownership, vertical ownership, and value added businesses like processing plants – and what that means. Those transactions could be part of the negotiated trade, with a producer on one side of the trade. It is different when you have a group of farmers involved in ownership of the plant. He indicated there are different types of value chains in existence. There are also value added types of activities and it is hard to capture some of these transactions. Most of these value added production processes are formula-based. Some of the issues include organic, grass-fed, premium value, branding, etc.
- He talked about the concerns on the part of producers with regard to the future. People would like information about the packer's purchasing intentions, for example. The packers, on the other hand, indicated that the intent of the law was not to be forward looking, but to be



a rear view mirror. So, this area may be a point of contention. Another issue he heard about was an interest in rolling averages for prices. At any particular time, the pricing moves around. There are diverse opinions about what the averages should be based on, such as a five day period – or more specific time frames (morning, afternoon, during the day).

- Another issue he heard a lot about was the importance of volume. To some, volume can be as important as price as an indication of the supply and demand.
- He also discussed internet based auctions and their roles. If this takes off, it could change things very quickly in the industry.
- He indicated that LMR is important. He felt that there was not time for information/data analysis during recent LMR changes which made the work challenging for understanding the implications of the proposed changes.
- Structural Change – He mentioned the issue of confidentiality which is to protect the providers of information. Questions have been asked about whether buyers (or counter-parties) are protected in the same way. The providers may be protected, but the counter-party may not always be protected.
- He mentioned the key implications of international markets and the expansion of export markets. Because more is known about the industry in this country than in other countries, when marketing our products against another country's, they know more about us. He heard from industry stakeholders both good and bad of this information being available for persons around the world to access.

AMS must walk a tightrope with regard to making changes. They have to make sure they are keeping the industry happy within the rules and regulations of LMR. If the laws are changed, it has to be for the good of all.

He referred to the topic of whether one or two trades that occur can then influence the market much. His conclusion is that although some information can be dangerous, still, some information may be better than no information.

Questions & Comments - Overview of LMR Baseline Study Presentation

Question: What determines whether it qualifies for branded beef?

Response - AMS: More and more retailers are negotiating to have case-ready product. In the LMR regulation, any beef product that is produced under corporate trademarks and under the USDA certification schedule, such as Certified Angus Beef, is being reported as branded product. The largest product line is Certified Angus Beef.

Question: What is the difference between vertical integration and vertical business relationships?

Response - Dr. Parcell: I came up with this term vertical business relationships because in the term vertical integration, typically the way we think of it is as one firm that owns multiple stages and has control; therefore, one entity. When we're talking about producers going together, let's say five hundred producers coming together and helping jointly capitalize the processing plant



and maybe even being in partnership with another business entity. Your control is spread out over five hundred multiple owners. I wanted to make that distinction.

Question: In your findings about alternative internet options, did you get any feedback about information being published out in social media, such as Twitter?

Response - Dr. Parcell: We did not hear anything about social media. I can't say we asked that specifically, but no one brought it up. We had several people respond with follow-up comments, but we never heard anything about alternative means of that price discovery process.

Comment: It's so new that it's kind of following the period of time when you did your analysis. What we're seeing come across Twitter is quantities and prices. It seems like real time price information can be really valuable to this industry.

Comment: The thing you have to remember is that the submission of this information has to be authorized.

Question: Do we want to have more detail or do we want to have market reporting that is more like a mirror? If we always try to get more and more detail and try to catch more and more information, are we just constantly going to be chasing our tail and always be behind in that information and get to the point that maybe we have information we don't understand?

Response - Dr. Parcell: I'm afraid to answer that question. I should answer that separately outside of this presentation. It might lead this group. I don't want to bias this group. I'll be glad to sit with you privately to discuss it. It's a great question. I don't want it to be just my opinion.

Question: The issue of reporting packer intentions raises concerns about the original intent of LMR. That is what really might divide us. It needs to have more of the real time information or it can be if we make some changes such as cattle committed for delivery. Who raised the concern about the original intent?

Response - Dr. Parcell: This is a general concern about how we can't just tweak the law in between the inner meetings, i.e., between every 5 years; that's why this group has come together. There could be some changes to the law through this process. I think one point of discussion around here is that we need more forward looking information. This wasn't from the packers. I think it's pretty clear the packers feel that's one part of the information set that wasn't in the original intent of the law. We heard from the users or buyers that they would like to see more forward looking information of volumes and prices.

Comment: Thank you for the clarification. That is the intent of the law vs. feedback. It wasn't, "hey, this law is stepping out of bounds." It's, "here is the intent we implemented and if you guys want it changed, you guys change it and tell us your new intent as soon as possible."

Question: How dangerous is it that maybe one or two trades influence the market and then at the end of the week you get the true value of the steer?



Response - Dr. Parcell: That's a danger. There's a tradeoff. It's tough to analyze those tradeoffs. Would you be willing to go without the information for a day or two, because the market says there are no trades, possibly due to confidentiality? Or would you want to go to rolling averages? How would you want to have this aggregated out? Most of the time, what we heard is some information is better than no information. We want to have some information. Going without any information is pretty dangerous. Some calculate their own rolling averages when there is a particular meat cut that's not traded very actively. They'll come up with a particular formula for a rolling average to compensate. So they're doing it already, especially on the meat side and a little even on the livestock side of things.

Question: I would agree with you that there are people who do the rolling averages and they see an individual trade as maybe a blip. For example, forty cattle trade in Iowa and they're a lot lower than everybody thought. Everybody blames the Iowa guys. It was one trade and the market reacts to it. My concern is whether that should influence the market because it was such a thin trade?

Response - Dr. Parcell: Just a quick follow up. That was my one comment about how the LMR is data is leveraged up and used in formula trade contracts. That's where it's become a little bit of a slippery slope because it influences so much of the trade out there as part of that base price. Most of us are just using it as some of the base price plus or minus.

Comment: It's also that it influences the futures market. We know the derivatives influences the cash market for the rest of the week. We see one trade influence the future market and we see the consequences of the possibly the rest of the week.

Response - Dr. Parcell: Correct! I think that's why we're seeing the some challenges now in that particular contract.

Comment: If we could and I appreciate that the Iowa guys are the cash guys. My counterpoint is that just because we're not seeing the reported trades taking place does not mean that business is not going on. We all know that there's committed cattle all over the place that aren't being reported. At some point if we can get a better capture on that data, that virtual trading floor is going like crazy but we don't know it. The activity that doesn't happen gets blamed on the CME Group.

Value of Market Information - Dr. Warren Preston, USDA Deputy Chief Economist:
(The following notes correspond to the "[Value of Market Information – Dr. Warren Preston](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Dr. Preston indicated that according to market theory, as long as there is free entry and exit for the sellers, and no barriers, and if the goods are homogenous, and if the buyers and sellers have perfect information, -- then we end up with neo-classical supply and demand curves. But he said that the reality may be actually a little different from that. Each player has his/her own telescope



as to how they see things. Mandatory reporting brings information to both sides of the market and is freely available to all market participants at the same time. AMS has no financial stake in the information that is reported, and it brings some transparency to the market and cuts down on rumors. If you look at information over time, you can see trends. LMR gives us a vehicle to make prices public.

He said that we are moving away from negotiating over every single transaction. We are getting into longer time, longer term agreements. Longer term transactions can increase quality. These relationships and programs help align consumer demand with what the producers are producing. He asked whether if you are a pork producer or a pork buyer, would you want to go back to haggling over every transaction? Are you going to get that quality, speed and efficiency that way? His answer was: "Probably not."

He said he does not have the answers and encouraged all to think about it. He asked, "How can we use this price reporting system, voluntary price reporting, mandatory price reporting system to assist that discovery process?" He suggested going back to supply and demand equilibrium. You would only need that last marginal transaction to fully report the equilibrium price. Looking over these prices over time, they may not trend together instantaneously, on a daily basis. But when you aggregate them over longer periods of time, they tend to move together and are indicators of price levels in the market place.

Also, he reminded people that "Livestock Mandatory Reporting" is more than "Mandatory Price Reporting." It provides market information, not just price. If we only stay focused on prices, we forget some other information. What we are ultimately after is to put together some of these items (negotiated spot, formula prices, branded product, forward contract, etc.) to improve price transparency and market transparency to help facilitate more efficient marketing of livestock and meat commodities. That's the mission of AMS Market News - to help facilitate the market place.

He said that all the individual components are important, but it is also important to think about how it works as a whole. We collect and bundle information in a way that protects confidentiality, and then report it. Then, it's up to folks in the industry to determine how to use it.

He reminded people that regulations are very hard to change. It takes time, effort, and goes through a process. But laws are even more difficult to change. So he asked that as people think about what recommendations they would like to put together in a report that goes up to the Hill to be considered for reauthorization, that they also be thinking in the long term of how those recommendations would work with whatever regulations come out of it. He reminded people that you can bind things down so tightly that AMS has no room to operate. The industry is changing rapidly and by the time the fifth year between reauthorizations rolls around, the things you thought were fixed at the beginning of reauthorization may not be working anymore. He indicated that it's easier to move regulations through the system if you can demonstrate to the Office of Management and Budget or the Office of Information and Regulatory Affairs that both sides of the industry agree on the changes that should be made. Once the reauthorization is in



place, you can't open it back up at will. He said if you don't have LMR, you would probably go back to a voluntary price reporting system, and that would be difficult.

In terms of the amount of information that is provided and how that affects our international competitiveness with our trading partners, he noted that it would be difficult for us to say that others should provide more info if we don't do it ourselves – so he said we have to walk the talk.

He reminded people that the Agricultural Outlook Forum is coming up next year. It will be the first look at 2017 (February 23-24). He suggested that it may be a good week to consider reconvening with this group.

Orderly Reauthorization Process – Joel Greene, Congressional Research Service Analyst in Agricultural Policy:

Mr. Greene said that he is an agricultural policy analyst with the Congressional Research Service (CRS) and is primarily responsible for livestock and poultry policy issues. CRS is an agency of Congress under the Library of Congress. CRS analysts work for all members of Congress/staff and the committees on a bi-partisan basis and provide reports, memos, and briefings on anything, as requested.

He said he was present to share some of his observations over the last year when the reauthorization of 2015 took place. There was general agreement and broad support for an LMR reauthorization.

He said that Congressional committee staff are looking for direction on these issues for any improvements within the law or regulations. The groups and people in the room have the expertise and experience. Congress is looking for consensus and that will lead to successful legislation. The House kicked off this reauthorization in April 2015 with a hearing for the livestock subcommittee. There was testimony from the cattle, hog and lamb sectors, Meat Institute, and AMS. In that testimony, there was very broad across-the-board support for LMR from all the groups testifying. Shortly after the hearing, the Mandatory Price Reporting Act of 2015 (2015 Act) was introduced in the House. When the House Agriculture Committee marked up HR 2051, the Chairman noted that the cattleman and packers were still working together on issues that could be added as amendments later in the year. The bill moved through the Senate that summer. The Senate amended that version and it came back for final passage in September. There were still no cattle provisions added. This led to a level of dissatisfaction on the part of the committee staff that with no cattle provisions the bill was missing something.

Looking at the different groups, the lamb industry came with different proposals. They ended up getting definitional changes for importers and packers. They also gave the Secretary some discretion to make decisions if some of the entities did not fall in line with those regulations. Even though they had a plan and had the study done, some of the things they wanted did not end up being included.



The hog industry looked like it was pretty well set up. Some of their issues regarding negotiated formula purchases and concerns about late day trading ended up in their package and in the legislation. Congress may have felt that this could have been a little bit of a smoother process before reauthorization. Much of it goes with nothing from cattle being in there. This may have led directly to the study provision of Section 104 of the 2015 Act, which was designed to get the industry engaged early. That's why you are here today with AMS kicking off this process.

He said that it is interesting that the original House-passed version had a reporting deadline for AMS of January 1, 2020. This was only nine months prior to when reauthorization would be required. But it was amended and sent back to the House and the deadline was changed to March 1, 2018, which was more than 2½ years before reauthorization. This was a sign that looking at the House version at nine months and looking at what happened in 2015, it might not be enough time.

The industry is constantly changing. Even when March 2018 comes and this report is done, new things could develop. This kind of report would give a good foundation to work off and is going to enable congressional staff to engage with you better in trying to develop legislation or regulations that might be needed.

He said he thought one thing that was pretty successful was the negotiated rulemaking process on wholesale pork. However, this process is not negotiated rule making.

In terms of the essential service part of the bill, there was some discomfort within Congress to start going down the road of what was going to be essential and what is not going to be essential with a government shut-down. When appropriations haven't been made, really the only government services that can go forward are to protect the safety of human life and protect property.

Questions & Comments - Orderly Reauthorization Process Presentation

Comment - AMS: Just one comment to help clarify what you were saying about making Livestock Mandatory Reporting an excepted activity. Even if Congress would have included that in the reauthorization, that would have been authorizing legislation. However, all rules governing a government shutdown are under appropriations law, which supersedes authorization law. It's a totally different path. So there would have had to be a monumental effort to impact both laws at the same time.

Expectations of Stakeholders – FMCS:

(See the "Stakeholder Expectations" document posted on the [LMR Stakeholder Meeting webpage](#))

Discussion of stakeholder expectations regarding the LMR Stakeholder Meetings.



Problem Analysis Overview - Eileen Hoffman and Doug Corwon, FMCS:

(The following notes correspond to slides 16-39 of the “[Facilitator – Federal Mediation and Conciliation Service](#)” presentation posted on the [LMR Stakeholder Meeting webpage](#).)

Facilitator led discussions including topic of Interest Based Bargaining Principles.

Program Analysis Strategies - Ramona Buck, FMCS:

(The following notes correspond to slides 40-56 of the “[Facilitator – Federal Mediation and Conciliation Service](#)” presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Facilitator led discussions including topics of Active Listening Exercise, Art of Inquiry – Empowering Questions, Brainstorming, Collaborative Phrases, and issue Identification.

Summary of the Day – Eileen Hoffman, FMCS:

(The ‘Summary of the Day’ corresponds to the final slides (57-58) of the “[Facilitator – Federal Mediation and Conciliation Service](#)” presentation linked on the [LMR Stakeholder Meeting webpage](#).)



Livestock Mandatory Reporting Stakeholder Meetings November 15 and 16, 2016 - Summary Notes

Day 2 - November 16

Opening and Introductions – Eileen Hoffman, FMCS Commissioner and Mike Lynch, LPGMN Director:

Commissioner Hoffmann, opened the meeting. Director Lynch gave an introduction of the LMR team members and suggested some ground rules for the day:

- Please set your cell phones to vibrate or silent mode
- Keep an open mind
- Save questions for the end of presentations
- Stay and listen even if the topic of the presentation is not your niche area
- Write questions on the index card, which you can pass to your representative

Note: All corresponding PowerPoint presentations are linked on the [LMR Stakeholder Meeting webpage](#).

LMR Technical Requirements - John Gallagher, AMS, ITS

(The following notes correspond to the “[LMR Technical Requirements](#)” presentation linked on the [LMR Stakeholder Meeting webpage](#).)

- Slide 1 – Title slide
- Slide 2 – Plant site
 - In 2001, system came online
 - Expanded to include mandatory dairy
 - Annual enhancements (technical functions and security) to the system
 - NITC and LMR collaboration
 - “Most current industry standard software and platform”
- Slide 3
 - Security level is moderate (not top-level which is for national security)
 - Based on the following factors:
 - Confidentiality
 - Integrity
 - Availability
 - Only way data comes through the system is through the Secure Socket Layer (SSL) and Public Key Infrastructure (PKI)
- Slides 4-15
 - Site is to help educate stakeholders on how to use the system
 - New password every 60 days
 - 20-30 forms to help them create the files
 - 20-30,000 records
 - PKI client, JAVA-based
 - batch-mode, scheduled mode, drop files into directory, send the data
 - Some do it manually still
 - Public Key Infrastructure (PKI) certificate
 - Install it in the computer
 - Who sent it, when they sent it



- USDA then creates a hatch file to ensure that what was sent did not get tampered with during the transmission
 - Files must be named in a certain way to help USDA organize the files
 - 2 emails/day for each file sent
 - Can add users to this
- Slides 16-37 Administrator Interface
 - Any AMS reporter needs VPN to access this site
 - 30-day password rotation
 - 2 accounts for AMS reporter to access site
 - 2 factor authentication
 - VPN established
 - Data files sent to the system, stacked in directory, then shown using data load and validation module
 - Import
 - Import Status
 - Query Results
 - Data Import → search
 - Select the dates they want
 - Analyze this data
 - Can exclude records they don't want to consider
 - Stated reasons for exclusion
 - Can change the information, but must provide a reason
 - Auditing reasons
 - Changes in record need to pass validation
 - After records are loaded, move into the report aggregation process
 - Submit the records, then it becomes available on the AMS website

Questions & Comments – LMR Technical Requirements Presentation

Question: Regarding the reporting of fresh pork wholesale cuts, the reporters cannot currently see the customer identity. Would it be helpful if the reporter could see who the customer was?

Response - AMS: The identity of the buyer is not a required field; however, all of the buyer information must go through the audit process. During an audit, the auditors will see a customer's identity. When our reporters are reviewing data, they don't make any alterations or changes to the records unless they are making a correction. Even then, they contact the packer first for clarification. When they do make a correction, there is an audit field that requires the reporter to enter the reason for the change.

Question: How hard would it be for someone to make a change?

Response - AMS: Only our reporters have access to the data, and they are trained to look at these within parameters. Reporters use their knowledge of current market conditions as they look for "outliers" in the data. When they find outliers, the reporters contact the plant to verify if an error occurred or if there were special conditions.

Question: Who administers the dairy mandatory reporting and is it subject to reauthorization every 5 years?

Response - AMS: The Dairy Mandatory Reporting Program had been handled by NASS for a number of years. In the 2010 reauthorization of LMR, the dairy program was moved to AMS, and it became permanently reauthorized with no expiration date.



Question: Is voluntary reporting for feeder cattle included in LMR?

Response - AMS: No, it is not.

Question: What is the industry process when data is wrong (i.e., the wrong data was submitted to AMS)?

Response - AMS: The first step is to contact our LMR staff and submit the correct data. If the reports have not been published yet, we will wait for the correct data to be submitted before going forward. If the reports have been published, then we will typically issue a correction if the error is discovered before the next submission time.

3/70/20 Confidentiality Guideline - Taylor Cox, AMS, LPGMN:

(The following notes correspond to the "[3/70/20 Confidentiality Guideline](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

This is one of the most questioned and discussed topics in LMR. Mr. Cox provided an overview of how confidentiality was applied in the past in addition to how it is currently applied.

Slide 3

In the past: there were many obstacles in the early days of LMR. There were many slaughter facilities and multiple plants across the U.S.; however, there was concentration in ownership. There was a large amount of data coming in to the system, being handled by a relatively small number of companies. AMS was aware there was diversity within data users, and USDA strives to serve the entire industry (Retailer, packer, etc.). There are many subsets of data for 3 main data user groups with differing opinions: producers, companies, and analysts.

Slide 4

How to meet these demands and maintain confidentiality? Confidentiality was put in a bad light early in LMR; however, in reality, it is a mathematical process or often referred to as 'suppression,' i.e., suppressing the data to meet the prescribed rule.

Slide 5

Concerning confidentiality, needed to be mindful when creating a rule/guideline. Data quality is at the forefront to ensure the data user can achieve its needs by providing the highest number of cases with consideration of timeliness and accuracy, i.e., will not sacrifice accuracy for timeliness.

Slide 6

At the onset of LMR, the simple 3/60 rule was used where 3 companies submit data and not one can have more than 60% of the data being used in the report in order for AMS to release the data. Some other agencies still use this method; however, for LMR it lasted only a few months as it suppressed too much data.

Slide 7

AMS then transitioned to the 3/70/20 Guideline, working with the National Agricultural Statistics Service (NASS) and others to determine LMR met many criteria in order to expand confidentiality:

- Large census: many reporting companies across the commodities



- Collecting the quantifiable, hard data
 - Not a survey or opinion
 - Aware of audience as users
 - Decisions based on the data would be broad

It was noted that some of the largest data submitters were also some of the largest data users.

Slides 8-12

- 3/70/20 Guideline
 - 3: At least 3 companies need to provide data at least 50 percent of the time over the most recent 60-day time period
 - 70: No single reporting entity may have over 70% of the data over the most recent 60-day time period
 - 20: No single reporting entity may be the sole reporting entity for an individual report more than 20 percent of the time over the most recent 60-day time period

Adjustments are made to the reporting based on confidentiality. Within national reports information is broken out by regions on the procurement side. All meat is reported on a national basis.

Slides 13-14

AMS has been taking steps to show more data in its reports, including:

- Comprehensive reporting
- National reporting on cattle, lamb and swine (Most of the confidentiality suppression is in the regional data side)
- Rolling averages
 - Store all the data in the data mart
 - Anyone can make their averages
 - Can pass confidentiality through this system

“Confidentiality guidelines are applied across all the LMR commodities” and relies on trained reporters quickly identifying whether or not something can be shared, i.e., reported.

See the [LMR webpage](#) for details on the [Confidentiality Guideline](#).

Questions & Comments – 3/70/20 Confidentiality Guideline Presentation

Question: Did USDA take feedback to develop this process?

Response - AMS: AMS borrowed the current confidentiality guideline from NASS. The original 3/60 guideline was suppressing too much information. AMS worked with NASS to adopt the 3/70/20 guideline as NASS is the authority on confidentiality for USDA.

Question: How often do you evaluate the guidelines?

Response - AMS: We are not aware of other alternatives at this time. We are hoping to get feedback from stakeholders at these meetings. If you bend 3/70/20 too far, it’s going to break. Some data we haven’t been able to report; however, we look for workarounds like combining data into larger regions or rolling averages.

Question: Is there access to information about how much is not reported? How many transactions are not being reported?



Response - AMS: We create and publish monthly exclusion reports for the different commodities but only show what the reporters excluded due to reporter discretion. However, this doesn't deal with data that is suppressed for confidentiality reasons.

Question: Can submitted data that was suppressed be used in reports after it's been suppressed?

Response - AMS: Data that was not able to be shown on a daily report could return on a weekly report.

Question: When data is suppressed due to confidentiality, does AMS have any process for releasing data, similar to NASS' process, for use by government agencies, research, etc.? If there is a special request for data for research, is this data lost because it was suppressed for confidentiality? Or is it available?

Response - AMS: According to the Livestock Mandatory Reporting Act of 1999 (LMR Act) [§ 251(b)(2)], AMS can disclose LMR information under three conditions: operation of the program, as directed by the Secretary or Attorney General, or as directed by a court of law. Other agencies and researchers use our publically available information and reports.

Regarding the difference between NASS' survey system and Market News, NASS is conducting a voluntary survey of a particular commodity and region. If there is one big producer in the state, they have the ability to ask the provider if they would agree to waive confidentiality. AMS on the other hand, is carrying out a mandated census where packers of a designated size are required to submit all of their livestock purchases and meat sales information. A few years ago the lamb industry asked AMS if the lamb packers could waive their confidentiality. However, USDA's Office of General Counsel said no, we do not have the authority to grant that exception.

In terms of the question about suppression, the data is not lost; it is still in the system.

Question: How can we address confidentiality for each specific commodity group?

Response - AMS: We need to find some common ground as we discuss this at the focus group meetings. AMS will work with NASS and counsel to try to come up with other solutions. We need to think outside the box on this.

Comment: Stakeholder is opposed to confidentiality because it suppresses the market and fails on true price transparency. There is concern that at some point in time, with such a small volume of buyers, there needs to be exposure. Stakeholder stressed that they are here to solve the problem of price transparency and confidentiality creates a loophole. The true movement of the market needs to be reported.

Response - AMS: Suppression of data to protect the confidentiality of market participants does not necessarily suppress the market. The provision for confidentiality is specified in the LMR Act, so to remove it would require a Congressional action.

Question: How is confidentiality applied across species?

Response - AMS: The confidentiality guideline is applied to livestock by purchase type, and for meats, it is applied for each cut or product. This will be covered in greater detail by each of the AMS speakers today.



Question: What is the correction process concerning replacing a report once an error is identified? How much time lapses between posting the original and replacement report and how is it posted?

Response - AMS: Human error in the system can happen. AMS tries to make corrections as soon as possible. Many people call LMR staff when they suspect or notice an error on a report. We make a correction, re-run the report with a correction note at the top of the report, re-archive the report, and email the corrected report to packers and data users. Typically any errors are realized in the first hour after posting. We prefer to limit corrections to the time period between when the report was issued and the next report time. If we discover an error in a report the next day or a week later, then that is too late and corrections are not made as there is too much disruption to the marketplace if a correction is issued beyond that time period because of the volume formula pricing that goes on.

Comment: If the confidentiality guideline is relaxed, there could be unintended consequences for not only packers, but also the customer. It could create a perception of collusion among packers. Also the purpose of confidentiality is to protect the identity and business of not only the data providers, but also producers, retailers, and consumers.

Livestock Mandatory Reporting, Cattle - Jodie Pitcock, AMS, LPGMN:

(The following notes correspond to the "[Cattle Reporting](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

The following is an overview of what the reporters do each day as they review the data submitted by the packers.

Slide 2

- Threshold: packer that harvests 125,000/year are required to submit purchases twice daily, 10 a.m. and 2 p.m.
- Currently 38 live cattle plants throughout the country are covered through LMR
- 92% of all fed cattle transactions covered
- Cow/bull side, only 33% of sales covered because many of these transactions are marketed in livestock auctions and not required to be submitted

Slide 3

- LMR Staff: 4 trained and certified Market News reporters in St. Joseph, MO
 - 2 reporters carry out the negotiated cash and negotiated grid base cattle reporting
 - 1 reporter covers formula, forward contract, and negotiated grid net purchases
 - 1 reporter covers cow/bull purchases
 - Handle 5,000-8,000 records/day
 - Generate, edit, and publish 29-53 LMR reports/day
 - Reporters have 1 hour to receive the data and then turn the reports around

Slides 4-7

- Purchase Types
 - Negotiated Cash: Cash/spot market purchase where the buyer and seller interact, the price is determined at the time of the deal, and delivery may be up to 30 days.



- Formula: Advance commitment of cattle for slaughter by any means other than negotiations. Price may not be known until a future date and are calculated using something such as a weighted average report or plant average.
- Forward Contract: Agreement for the purchase of cattle, executed prior to slaughter where the base price is established by reference to prices quoted on the Chicago Mercantile Exchange (CME).
- Negotiated Grid: Like negotiated cash, base price is negotiated between buyer and seller and is known at the time the deal, and delivery is usually expected within 14 days. However, the final net price will be determined by applying premiums and discounts after slaughter.
- Packer-owned: Cattle are owned for at least 14 days before slaughter.

Slides 8-25

- Reporting Forms and Reports

- Steers and Heifers:

- LPS-113 - Live Cattle Daily Report (Current Established Prices)
 - Submitted fields of information
 - Plant ID
 - Source
 - Purchase type
 - Class
 - Selling Basis (Live or Dressed)
 - FOB or Delivered
 - Headcount
 - Average Weight
 - Price
 - Grading Information
 - Premiums
 - Discounts
 - Origin (where cattle where fed, not where they are going)
 - Examples of reports generated from the LPS-113 form are the National Weekly Formula, Contract, and Grid and the 5-Area Weekly Negotiated Cash Data aggregated by class
- LPS-114 – Live Cattle Daily Report (Committed and Delivered Cattle)
 - No prices are submitted on this form, headcount only
 - Packers are required to submit volume when they have committed the cattle and again when the cattle are delivered
 - Submitted fields of information:
 - Plant ID
 - Purchase type
 - Class code
 - No price included
 - Headcount
 - Origin
 - Example of a report generated from the LPS-114 form is the Daily Committed and Delivered Report



- LPS-115A – Live Cattle Weekly Report (Forward Contract and Packer-Owned)
 - Packers must submit information each Monday by 9 a.m. (central)
 - Submitted fields of information:
 - Headcount
 - Cattle harvested the previous week by purchase type
- LPS-115B
 - Packers must submit information each Monday by 9 a.m. (central)
 - Submitted fields of information:
 - Packer-owned cattle harvested in the prior week
- LPS-115C
 - Packers must report when the forward contract is established
 - Submitted fields of information:
 - Headcount
 - Basis level
 - Delivery month
 - Delivery year
 - Basis level month
 - Report generated from LPS-115 information is the weekly Forward Contract, Packer-Owned and Prior Week slaughter report.
- LPS-117 – Cattle Premiums and Discounts Weekly Report
 - Packers must submit information each Monday by 9 a.m. (central)
 - Submitted fields of information:
 - Premiums and discounts the packer expects to pay for the upcoming week related to quality, yield grade, weights, and branded programs
 - Report generated from LPS-117 is the Weekly National and 5-Area Premium and Discount Report

Cows and Bulls

- LPS-131 – Cow/Bull Plant Delivered Bids (Dressed Basis)
 - Bids for cows and bulls, plant delivered for each classification and weight break
 - Report generated from LPS-131 is the Daily National Cow and Bull Bid Report
- LPS-132 – Live Cow/Bull Daily Purchase Report
 - Packers must submit information daily by 2 p.m. (central) Slaughter data for cows after they were harvested
 - Used to collect actual pricing and slaughter data on cows and bulls
 - Submitted fields of information:
 - Purchase type
 - Class
 - Dressed
 - Delivered or FOB
 - Headcount
 - Weight
 - Net price
 - Classification
 - Origin



- Report generated from the LPS-132 is the Daily and Weekly Cow and Bull Established Prices Report

Slides 26-27

- 3/70/20 confidentiality is applied to the Live Cattle reports as a whole over the 60-day period
- Data review process
 - Reporter looks through the 5-8,000 records for outliers and invalid records (plant may forget to put a value in one of the required fields)
 - Reporter contacts the plant personnel via email or phone to verify the data
 - Reporter will make a change if necessary and then include a statement of the change to document it
 - Fed cattle has an exclusion policy to exclude all records that are 10 head or less

Questions & Comments – Livestock Mandatory Reporting, Cattle Presentation

Question and comment: With credit and accolades going to the packing industry as there appears to be lots of data and lots of paperwork associated with LMR submissions. Is all the data being utilized from these sheets? It's a ton of work and we need to talk about this. We see a lot of data being reported, yet there is still a gap. Packers, as you are doing this reporting, do you feel this way about the paperwork? We're still missing it even with tweaks to forms and confidentiality. We have all this data, for packers, which one would you like to get removed?

Comment: Depends on the party you're talking with, but the heavy lifting with reporting was on the front end when we initially developed our systems for reporting. The task of supplying it daily is electronic, and not a huge burden. Information utilization is a good question. At this point, I can't say what is or isn't valuable. As the reporting process matures with pork, it may become more and more useful.

Response - AMS: Where do you feel the gap is in the information?

Comment: Aggressive market swings, detachment from the fundamentals, yet chaos in the market. We need some data, but the data may not be used in the marketplace. There is a link missing in data that is being reported. Want the fundamentals to reflect this.

Question: When a new plant comes online, when must it begin reporting?

Response - AMS: When we know a new plant is coming online, we know whether they will be large enough to fit into LMR. Usually the company reaches out to AMS to get information about how to build its computer system for LMR compatibility. Early communication is key. However, we typically wait a year for the plant to be fully functional before we officially notify them of the LMR requirements.

Question: How much variation is there from cow plant to cow plant?



Response - AMS: Within companies, there is not much variation. However, the plants have their own house grades to sort the carcasses based on weight, percent lean, color of fat, etc. It depends on whether the plant is making lean boneless beef or cow cuts. It's not as simple as fed cattle.

Question: What is the definition you use for imported cattle? Is there any reconciling with other trade statistics?

Response - AMS: On the live side, cattle born in Canada, for example, and slaughtered in the U.S. will be reported and published as Imported. Cattle born in Canada but fed to slaughter weight in the U.S. are reported as Domestic. Since only the largest packers slaughtering over 125,000 head per year are required by law to report their imported purchases a certain way as defined in the LMR regulation, we do not reconcile our LMR data with voluntary border crossing data from APHIS. APHIS has their own classification system which may not correspond to LMR in all cases.

Comment: To respond to an earlier question regarding utilization, every report is used. For education, long-term quality of data (what was purchased and aggregates) is important for market analysis over a period of time.

Question: None of the reports are being under-utilized?

Comment: All the information is needed. You may need a history of how something is done down the line.

Comment: In the study, we asked the packers if they really needed this LMR data. While one packer may not need a particular line item, another does need it. All packers are using the data. The cost of providing the data has changed over time.

Question: Imports being priced lower, at what point does that price play into the national market?

Response - AMS: Imported cattle are reported in the same way as domestic cattle. Imported slaughter cattle are reported separately from domestic, so they are not part of the 5-Area trade if they were fed in Canada.

Question: Where does the data come from that makes up the 92% of transactions covered for fed cattle and 33% for cow & bull numbers?

Response - AMS: It's what we show in our reports compared to the federally inspected slaughter numbers for the same time frame.

Question: What else is in the remaining 67%, outside of the public auction?

Response - AMS: Smaller plants slaughtering less than 125,000 head per year.



Comment: Stakeholder expressed concerns with suppression of data caused by confidentiality guidelines. Relative to the cash market, in order to have competition, we need many buyers and sellers. Worried that we are suppressing that as a result.

Response - AMS: For live cattle reporting, and the way in which confidentiality is applied, there is still enough data reported that can be published. Confidentiality is not suppressing data for cattle reporting. For example, packers are required to submit all negotiated cash cattle purchases as 1-14 or 15-30 day delivery. AMS compiles it all in one report as 1-30 days in order to publish the data rather than kept split as 1-14 or 15-30 day delivery periods which would not be published due to confidentiality concerns. However, on the weekly report, we report the head counts separately.

Question: Does this obscure price discovery, if something is a 1-14 or 15-30-day transaction and we are 10 days to expiration of a contract and the market does not know it?

Comment: What AMS does is for price reporting or being the mirror and not price projecting or looking forward.

Livestock Mandatory Reporting, Swine - Jason Karwal, AMS, LPGMN:

(The following notes correspond to the "[Swine Reporting](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Slides 2-3

- Swine reporting began April 2001 and is unique in many ways
- LMR swine covers packers that process over 100,000 head of swine/year/plant or a total of 200,000 combined sows/boars at multiple locations based on 5 year averages
- Covers approximately 97% of all U.S. slaughtered swine transactions; the 3% of transactions not covered is the smaller plants that are not required to report
- 4 Market News reporters work on LMR swine
- Swine reporting imports data 4x/day, including the prior day's purchase data at 7am and download slaughter data at 10am
- Reporters handle 7,000-11,000 records/day
- System has built in functions to flag data
 - Reporters verify data that falls outside what they feel it should be coming in as
- AMS generates 102 reports/week to cover between 2 -2.5 million head/week

Slides 4-10

- Swine have 11 purchase types and includes both producer and packer sold
 - Negotiated Purchase (types 1 (producer) and 5 (packer))
 - Price is negotiated by buyer and seller interaction to come up with a price and the swine deliver within 14 days
 - Other Market Formula (types 2 (producer) and 6 (packer))
 - Price is based off of the CME index or CME futures



- Swine or Pork Market Formula (types 3 (producer) and 7 (packer))
 - Long term contracts that use a formula as a basis
- Other Purchase Arrangement (types 4 (producer) and 8 (packer))
 - Originally for those that don't fit in the other categories
- Negotiated Formula (types 10 (producer) and 11 (packer))
 - Spot pricing determined by buyer and seller interaction and the basis is a swine or pork market formula with the swine delivered within 14 days
 - New from the last reauthorization to help satisfy the question, "As negotiating gets thinner and thinner, what can we do to get more data?"
 - Any formula is a spot price
 - Report it as a separate purchase type
 - Get more volume of data
- Packer Owned (type 9)
 - Has grown over time as more producers enter the pork packing business by starting their own slaughter and processing plants

Slides 11-23

- Reporting Forms: 3 different forms, 6 different parts
 - LPS-118A – Swine Prior Day Report
 - Committed swine for slaughter, 14 days out
 - Captures number of head committed
 - National, no regional breakdowns
 - Helpful to understand numbers coming in for the next fourteen days
 - LPS-118B
 - Actual swine slaughtered within 24 hours of previous day
 - Slaughter report, national report by purchase type
 - Break it down by packer owned data
 - Slaughter data
 - All-inclusive
 - LPS-118C
 - All the purchases made for the full 24 hours of the previous day for barrows, gilts, sows, and boars
 - Data submissions are due daily by 7:00 a.m. then reports are released at 8:00 a.m.
 - LPS-119A – Swine Daily Report
 - Estimates and actuals for swine purchased within set timeframes by destination
 - The morning submission covers purchases from 1:30 p.m. the previous day to 9:30 a.m. current day
 - The afternoon submission covers purchases from 1:30 p.m. the previous day to 1:30 p.m. current day
 - LPS-119B
 - Actual for swine purchased within set timeframes by purchase type with average weight, base price, and origin
 - The morning submission covers purchases from 1:30 p.m. the previous day to 9:30 a.m. current day
 - The afternoon submission covers purchases from 1:30 p.m. the previous day to 1:30 p.m. current day



- LPS-120 – Weekly Non-Carcass Merit Premium Swine Reporting
 - Reports the non-carcass merit premiums being paid
- Swine is also unique to other LMR commodities in that a lot of the regulatory language is written into the law which makes it very strict on what can be done

Slide 25

- Weekly Reports generated from the data
 - LM_HG214 is the national summary
 - LM_HG250 shows the weekly non-carcass merit premiums

Questions & Comments – Livestock Mandatory Reporting, Swine Presentation

Question: Regarding the purchase type of “Other Market Formula” and the CME index, if the pigs are priced on a CME index formula, where are they categorized?

Response - AMS: As either “Other Market Formula (Type 2) or packer sold market formula (Type 7).

Question: What about situations where there is a swine or pork market formula between packer and producer with weekly or monthly non-carcass merit premiums, what purchase type category do these fall into?

Response - AMS: Most likely “Other Purchase Arrangement” (Type 4),

Question: 97% of transactions are covered under LMR – is that barrows and gilts or sows?

Response - AMS: Barrows and gilts.

Question: Regarding the new “Negotiated Formula” purchase type, there are gaps in price reporting for this purchase type. Is that because of a lack of transactions that fit the category or due to confidentiality?

Response - AMS: Both. We have not seen enough transactions in this category to pass confidentiality criteria.

Question: Formula priced pigs that are paid an attribute premium at a later date, is that attribute premium reported at this time?

Response - AMS: Not necessarily. When the packer finalizes the pricing and settlement sheet for a lot of hogs right after slaughter, the final net price and carcass data (if collected) is submitted to AMS in their prior day slaughter submission (LPS-118B). However, if the packer then pays the producer an additional premium for that particular lot at a later date (e.g., a week, a month, or later) there is no mechanism in the current regulation to capture that information.

Question: If market reporting is not price discovery, why do we do it?



Response - AMS: Do producers and packers use our printed information for price discovery to establish a price? Yes, absolutely.

Comment: We need to talk about this more to determine if LMR should be backward or forward looking. This should be an industry decision, and we shouldn't push the function onto government.

Response - AMS: The original intent of LMR was market transparency. Over time, packers have gotten better about submitting the data, and AMS has gotten better at sharing it through new reports. Now it has become used as a price setting tool, which shows the confidence the industry has in the integrity of the data. Plus, LMR has always served as both a mirror looking backward and a lens looking forward. In addition to the daily price and trade information, LMR requires that packers also report their 14-day scheduled swine and committed cattle numbers which are forward looking requirements.

Comment: This is the difference between how the data is used versus the market volatility, we may be melding too many conversations potentially.

Question: Are there any identifiers between purchase data and slaughter data linking the two together?

Response - AMS: This is not an LMR requirement, so purchase and slaughter data cannot be matched up.

Livestock Mandatory Reporting, Live Lamb & Lamb Meat - Jodie Pitcock, AMS, LPGMN:

(The following notes correspond to the "[Live Lamb & Lamb Meat Reporting](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Slides 2-3

- Live lamb reporting has always been done out of St. Joseph, MO, but the boxed and carcass lamb has been reported from there since 2013
 - One reporter covers LMR sheep and lamb
 - Process (import, review, analyze, and verify) approximately 2,000 records/day
- Under LMR, packers that slaughter 35,000 head/year or importers of 1,000 or more metric tons are required to report
 - 6 sheep plants and 18 lamb plants are currently covered under LMR

Slide 4

- Purchase types
 - Negotiated
 - Formula Marketing Arrangement
 - Packer Owned



Slide 5

- Sales Types
 - Negotiated
 - Formula Sale
 - Advanced commitment
 - Forward Sale
 - Box lamb executed in advance of manufacture
 - Base price established by reference to publicly available quoted prices

Slides 6-19

- Live Lamb Reporting Forms and Reports
 - LPS-121 – Live Lamb Daily Report (Current Established Prices)
 - Data is submitted 1x/day at 2 p.m.
 - Generates report: LM_LM302 – National Weekly Lamb Report (Negotiated and Formula Purchases)
 - Although packers submit information daily, AMS is unable to report on a daily basis due to confidentiality; therefore, AMS aggregates data as a weekly report
 - Submitted fields of information
 - Plant ID
 - Reporting time
 - Class code
 - Weight range
 - Selling basis
 - Price
 - Percentage Choice or Better
 - LPS-123A and LPS-123B – Live Lamb Weekly Report
 - Data is submitted weekly, each Tuesday by 9 a.m.
 - Domestic and imported prior week slaughter by purchase type Prior Week Packer-Owned Slaughter
 - LPS-124 – Live Lamb Weekly Report (Formula Purchases)
 - Data is submitted weekly by 9 a.m. Tuesday for prior week Formula Transactions
 - Submitted fields of information
 - Headcount
 - Total pounds
 - Weighted average price, low and high range
 - LPS128 – Boxed Lamb Daily Report
 - Data is submitted daily at 2:30 p.m.
 - Confidentiality applied on a line item basis
 - Many items that do not meet the daily confidentiality guideline
 - Consolidate into a five day rolling average
 - Cut out is also generated from the LPS-128
 - Weekly import data submitted on Mondays by 10 a.m.
 - Required for all importers who import 1,000 metric tons per year.
 - Packers will submit the product codes which are unique to them
 - Reporters work with packers to determine what AMS code to fall under



- LPS-129 – Boxed Lamb Daily Report
 - Carcass report submitted daily at 3 p.m.
 - reporting times on the lamb
 - Carcass Lamb Report
 - Daily and Weekly report
 - Composite Weekly report
 - Confidentiality per line
 - Different grades
 - Ungraded lambs as well

Slide 20

- Confidentiality
 - Uses 3/70/20 guideline where no one company can have 70% of the volume

Slide 21

LMR Lamb Market Reporter reviews submitted files

- Uses a checklist to ensure all packers have submitted
- Reaches out to packers who have not submitted the info
- Looks at invalid records
- Makes corrections as necessary
- Examines data outliers

Questions & Comments – Livestock Mandatory Reporting, Live Lamb & Lamb Meat Presentation

Question: In regards to lamb and lamb meat reporting, what is the distinction between sheep and lamb?

Response - AMS: Live lamb reporting will be referred to as sheep. Boxed lamb is the product of the live lambs.

Comment: With only one reporter in St. Joseph and 2,000 lines of data to review, confidentiality at one-size fits all is not working for the sheep reporting. We feel that AMS economists should investigate other ways of achieving confidentiality for lamb. Back to rolling average, because of the lack of data being reported, it's not working properly. Some of these issues include looking at comprehensive reporting. The lamb industry is wondering what else they can do? Confidentiality is key for them and market reporting is not changing fast enough for their market. There needs to be alternatives to confidentiality guidelines in order to have timely market data and reporting.

Comment: There is support of having an economist research confidentiality guideline alternatives, but maintaining confidentiality is still important.

Question: For the lamb cutout, what is the difference between the gross carcass value and the net carcass value? Process costs and yields?

Response - AMS: You are referring to the Estimated National Cutout Value report. We are currently in the process of collecting product yield data from the lamb packers, so we can update



our cutout calculations after the first of the year. In the cutout report, the first value is a gross value. We also publish a net cutout value which is less the process and packaging costs that are based on average costs collected from all packers. Gross minus processing and packaging costs equals the net value. Information on how this is calculated is available on our website.

Comment: The cutout calculations are similar, but are still different processes across the species.

Response - AMS: The estimated lamb cutout value is based on a 5-day rolling average of reported boxed lamb cuts because of the thinness of the boxed lamb market. The daily boxed beef cutout value represents the estimated value of a beef carcass that has been fabricated and boxed. Lastly, the wholesale pork cutout represents the estimated value of a hanging pork carcass which is based on the daily sales of pork cuts as well as offal items that are not harvested in the slaughter process (neck bones, tails, front feet, and hind feet).

Question: Could AMS respond to the requests for exploring options for confidentiality?

Response - AMS: Absolutely. AMS will look into confidentiality again. We had explored a 2/80/20 option previously with our LPS Statistician; however, that research showed a greater potential for showing too much information and exposing confidentiality. We are trying to balance between sharing enough information that the industry could use for marketing decisions versus creating the potential for accusations of collusions among packers and producers. It's a difficult balance to strike.

Comment - AMS: It was stated earlier that we are discussing a lot of topics right now and some other issues are getting lumped together. As a reminder to everyone, the scope for these stakeholder meetings is LMR. When you are meeting with your respective constituents, please focus on how we can improve LMR.

Question: Changing 15-30 day breakouts for cattle to identify them as separate from the 1-30 block – would that be a regulatory or legislative change?

Response - AMS: Neither really since it would not change any reporting requirement for the packers. This would involve AMS simply changing the way in which we display the information, however, AMS wouldn't make that change unilaterally without broad support from the industry.

Question: Would you put it out for public comment?

Response - AMS: To change the requirement for the packers, it would be a regulatory change that would be published in a proposed rule for public comment. For instance, if the 15-30 day reporting requirement was removed, that would be a regulatory change. On the other hand, if the industry wanted AMS to change the way we display 1-14 day and 15-30 day cattle, this would not be a regulatory change requiring public comment. However, AMS would not make this change without buy-in from stakeholders.



Comment: For the CME, it would be helpful to identify the difference between 1-14 and 15-30 day cattle.

Question: What form number is used for collecting that info?

Response - AMS: The LPS-113 form.

Comment: There may be a confidentiality issue if you break out 1-14 day and 15-30 day cattle and try to report them separately. AMS may not be able to show the 15-30 day cattle, which would be a loss of data and thereby potentially end up in the same situation as sheep.

Question: Can the 14-day schedule report be done for beef?

Response - AMS: There are two different issues here. When LMR started, the definition of negotiated livestock purchases was the same across all species – agreement on the price and delivery day with the next 14 days. In the 2008 reauthorization of LMR, the definition of negotiated purchases was amended for cattle only to include agreement on a delivery date within the next 30 days. Ever since AMS started getting this information reported, there has not been enough 15-30 day cattle reported on a daily basis to pass confidentiality criteria.

With swine, this is a separate issue. Swine packers are required to report the number of hogs they have scheduled for delivery for each of the next 14 days, regardless of whether or not they buy each day. In the past, this issue of adding a similar 14-day schedule requirement for live cattle has been discussed but hasn't gained enough traction at this point.

Comment: The issue of low volume/confidentiality has been an unknown. The 15-30 day delivered cattle adds to the volume of negotiated trade, but it's misleading in terms of what the contract is using for current market information to have the two buckets combined. It presents challenges with contract expiration.

Question: What is currently in the last line of the LPS-113 form?

Response - AMS: In the last field, packers are required to report whether delivery will be in 1-14 days or 15-30 days.

Question: Similar data for formula purchased cattle is not currently being collected?

Response - AMS: The delivery period designation is a requirement for negotiated transactions only. However, most packers report the delivery period for formula purchase types anyway, but AMS does not utilize this data for formula purchases since it is not an LMR requirement for that purchase type.



Livestock Mandatory Reporting, Beef - Bill Worlie, AMS, LPGMN:

(The following notes correspond to the “[Boxed Beef Reporting](#)” presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Slides 2-4

- LMR Boxed Beef Criteria
 - Reporting threshold criteria for boxed beef is 125,000 head/year
 - Covers over 90% of boxed beef market
 - First-time sales only
 - Distributors, grinders, etc. who do not slaughter, do not report
- Boxed Beef Defined
 - Cuts, ground beef, boneless processing beef, beef trimmings
 - Beef Offal/variety meats are not reported
- LMR Boxed Beef Staff and Data
 - 2 reporters cover the fed cattle source product reporting
 - 1 reporter covers cow sourced product
 - Reporters handle 15,000 records/day to generate 11 weekly reports and 6 daily reports
 - Daily reports have 1 hour turnaround

Slide 5

- LPS-126 – Boxed Beef Daily Report
 - Packers submit data twice/day
 - Submitted fields of information
 - Destination
 - Sales Type
 - Delivery period
 - Refrigeration
 - Class
 - Classification
 - Branded Designation
 - Specific item
 - Packer’s product code or institution meat purchase specifications (IMPS) item
 - Most companies submit a product code
 - Quantity sold
 - FOB plant price

Slides 6-10

- Afternoon daily spot reports
 - Afternoon includes morning data
 - Data submitted for the morning report at 10 a.m. and the afternoon report at 2 p.m.
- Weekly Reports
 - Spot Market Boxed Beef Cutout and Cuts (LM_XB459)
 - Weekly roundup of 5 daily (LM_XB403s)
 - Formula sales report (LM_XB454)
 - Formula sale type
 - Other criteria same as LM_XB459
 - Forward sales report
 - Branded box beef report
 - Spot Market Prime boxed beef
 - Spot Market Ungraded Boxed Beef
 - Spot Market Boneless Beef and Trimmings
 - Formula Boneless Beef and Trimmings



- Spot Market Cutter Cow Cutout and Cuts
 - 5 day rolling average of cow cuts
- Weekly comprehensive reports
 - Comprehensive Boxed Beef Cutout
 - Total volume quality
 - All quality designations
 - All the sales type
 - All the delivery periods
 - Boxed Beef Item Summary
 - Spot sales information is compared to comprehensive sales data

Slide 11

- Data Review
 - Data is submitted at 10 a.m. which reporters review to ensure all the files are present
 - Import files to database and generate a report
 - Analyze data on a line by line basis
 - Develop a sense over time for data that merits review
 - Review the report completely and aggregate the verification calls
 - Generally benefit with good relationships with the packers
 - Reserve the right to ask for additional confirmation

Slide 12

- Crosscheck
 - Run individual beef item inputs through independent spreadsheet to ensure calculations are accurate and flag reviewable data previously overlooked
 - Fabrication yield information from the packers are provided voluntarily, outside the current scope of LMR
 - Packers are both suppliers and users of data
 - USDA yield is an average of packer yields, which are held in strict confidence.

Slide 13

- Confidentiality
 - 3/70/20 is applied to each individual beef item
 - If data is not included in a daily report, then it may be in the weekly report
 - Weekly report covers broader time span and allows more company trade participation, making confidentiality passage more likely
 - LM_XB455 report – National Weekly Boxed Beef Cuts
 - Quantity and trade frequency is lower on deferred delivery report, making confidentiality passage difficult.
 - If an item doesn't pass confidentiality, then it's not visible in the report; however, it will still be included in the applicable cutout calculation.

Questions & Comments – Livestock Mandatory Reporting, Boxed Beef Presentation

Question: If a cut or item is not shown on the daily report due to confidentiality, what occurs then?

Response - AMS: While some items on the report are not configured to go into the cutout, the items that are configured are always used in cutout calculations; even when confidentiality removes the specific item from the report.

Question: Why suppress the volumes for confidentiality reasons?



Response - AMS: Volume information of specific line items on specific beef reports is considered confidential information. Aggregate volume information of multiple items is not considered confidential, and therefore aggregate volume totals are not suppressed. This differs by species and products.

Question: Are there any minimum volume thresholds and is anything suppressed because of this minimum?

Response - AMS: Yes, there is a minimum of 1,000 pound lot size for individual beef cut items. For 90 percent trim and 50 percent trim there is a 30,000 pound minimum for establishing the high and low price of the price range.

Question: Hypothetically, if a packer has a major fire sale on an item, does that fire sale have enough of an impact on moving the market in the future?

Response - AMS: The low priced sale would impact the cutout to some degree depending on the volume of the sale; however, the item is only one piece of the carcass cutout total. Therefore, while there is an effect, it is limited by this fact. The exact degree of effect on the cutout is hard to predict as it depends on the volume and price of other items traded as well.

Question: Product yields are not required to submit through LMR. Does AMS survey the packers for this data?

Response - AMS: Yes, this is collected on a voluntary basis. AMS checks in with companies each year and only releases the average of all of the packers' yields combined.

Question: Why is yield information not part of LMR?

Response - AMS: Product yields and processing and packaging cost information has never been included as an LMR requirement. However, the industry wants a cutout. They value a cutout, so this is something AMS provides as a service to the industry. Packers are willing to share their average yields, as well as processing and packaging costs to ensure the cutout is reflective of current marketing conditions. Also keep in mind that all information submitted under LMR is audited.

Comment: The CME cutout index and lean hog index differences could be due to yield changes not reflected in the index.

Response - AMS: AMS reviews yields and processing and packaging costs annually to stay current and minimize any abrupt changes to the cutout.

Question: How frequent are the errors? How is aged product handled?

Response - AMS: In the earlier years of LMR, there were more errors and more calls to packers to correct errors. Over time the reporting and quality of data submissions have improved. Everyone's systems have become more automated which has helped. However, there will always be some human errors with any data entry. Many of the errors occur due to processors training new staff.

Regarding aged product, packers use 3 different refrigeration code categories - fresh, frozen, and aged. Aged product is filtered out of the daily boxed beef report, but is used in a weekly comprehensive report.



Livestock Mandatory Reporting, Wholesale Pork - Lakisha Aller, AMS, LPGMN:
(The following notes correspond to the "[Wholesale Pork Reporting](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Slides 2-3

- LMR Staff
 - Des Moines, IA, LPGMN office houses the Pork team consisting of 3 Market reporters
 - Analyze between 8,000-10,000 lines of data/day
 - Use the data to create four daily and 8 weekly reports
 - Not all of this data is shown on the daily but it may be in the weekly reports
- LMR coverage
 - 87% of total pork sales
 - 13.8 million pounds on a daily basis in 2015
 - 15% of pork sales are negotiated

Slides 4-6

- LMR wholesale pork criteria
 - Companies slaughtering more than 100,000 head of swine on average the past 5 years or slaughtering more than 200,000 boars and/or sows in the past 5 years 24 packers or 50 plants currently reporting under LMR
 - Regulations allow packers to stop reporting up to 30 minutes ahead of specified reporting time
 - Sow and boar: report 1x/day at 2 p.m. CST
 - Barrow and gilt: 10 a.m. and 2 p.m. CST

Slides 7-12

LPS-89 Wholesale Pork Daily Report

- Submitted fields of information
 - Destination:
 - 1's: sales domestic destined to ship within the 50 states
 - 2's: export sales destined for overseas
 - 3's: export sales destined for NAFTA countries (Canada and Mexico)
 - Domestic and NAFTA sales are reported together as domestic trades per negotiated rulemaking
 - Sales Type Code
 - Negotiated
 - Sale by a packer to a buyer under which the price is determined by seller-buyer interaction and agreement.
 - Delivery can be no later than 14 days for boxed product and 10 days for combo product.
 - Formula
 - Agreement for the sale of pork under which the price is established in reference to publicly available quoted prices.
 - Forward
 - Agreement for the sale of pork where the delivery is beyond the timeframe of a negotiated sale and under which the price is determined by seller-buyer interaction and agreement.
 - Delivery Period Code
 - Represents the number of days from the sales date to delivery



- Packers report the delivery period in calendar days.
- Refrigeration
 - 5 different submission types
 - 0-6 days fresh combos
 - 7 or more days fresh combos
 - 0-10 days fresh boxed
 - 11 or more days fresh boxed
 - Frozen
- Class Code
 - Barrows and gilts
 - Sows
 - Boars
 - Mixed
- Pork Item Product Code
 - Packer assigns to distinguish the products.
 - Can be no longer than 30 characters.
 - Assign AMS alpha codes to the company product codes in order for data to pull properly to the reports.
- Total Product Weight
 - Reported in pounds
- FOB Plant Price
 - Price received at the plant for each wholesale cut in the lot
 - Does not include shipping costs, but may include brokerages fees, if applicable
 - All other direct, specific, and identifiable marketing costs known at the time of sale should not be included in the FOB plant price
- FOB Omaha Price
 - Delivered price received for each cut minus the freight rate (provided by AMS on a quarterly basis)
 - Delivered price received for each wholesale pork cut minus a standardized freight rate May include brokerage fees, if applicable.
 - All other direct, specific, and identifiable market costs known at the time of sale should not be included in the FOB Omaha price

Slides 10-12

- LMR pork data
 - Includes all wholesale pork fresh and frozen primals, subprimals, cuts fabricated from subprimals, pork trimmings, pork for processing and designated variety meats
 - Excludes portion control cuts, flavored cuts beyond normal added ingredients, smoked, and cured cuts
 - Includes reported variety meats such as neck bones, tails, skins, feet, and hocks
 - Includes reported enhanced cuts with ingredients limited to water, salt, sodium phosphate, antimicrobials, or any combination of these items
 - Excludes intra-company sales and case ready items

Slides 13-14

- Wholesale Pork Reports
 - 4 daily reports, all negotiated trades, all have an FOB plant and FOB Omaha report
 - Morning report is a snapshot for the morning
 - Afternoon report is more encompassing
 - Most buyers and sellers formulate off of the FOB plant report prices and not the FOB Omaha report prices
 - 4 types of weekly reports: Negotiated, Formula, Forward, and Export
 - All reports published on Mondays



- Each type of report has FOB Omaha and FOB Plant prices, therefore, actually 8 reports issued each Monday

Slides 15-17

- Confidentiality and data review
 - 3/70/20 applies to pork in the same way it does to the other LMR commodities
 - Programming and reporting processes ensure this policy
 - Review and data verification processes in place
 - Use checklists to determine which plants submitted before importing data
 - Data comparison
 - Exclusion policy for trades with less than 2,000 pounds and price ranges with the same low and high price All trading, whether excluded or included on the report due to the confidentiality policy, is used in the pork cutout calculations
 - Data is confirmed by reporters through direct correspondence with buyers and sellers

Slide 18

- Current and future developments
 - Pork Primal Cutout Enhancement
 - October 31, released an enhancement to ham primal and overall cutout by adding insides, outsides, and knuckles to the ham primal which adjusted values and volumes
 - Continue making report enhancements to remain relevant
 - Yield Update planned to release early 2017 for all commodities covered under the LMR Act
 - Comprehensive Pork Report is being developed for release in 2017

Questions & Comments – Livestock Mandatory Reporting, Wholesale Pork Presentation

Question: What is the future of FOB Omaha reporting?

Response - AMS: That requirement can be addressed at the future swine and pork commodity stakeholder meeting.

Comment: In the wholesale pork report, NAFTA product is included in the daily reports. However, the daily boxed beef report only includes domestic product. This is one of the differences across commodities. This could increase the volume of beef reported, relatively speaking, but there's not a huge amount of product going to NAFTA countries.

Question: When a new plant opens, what is the timeline for adding the plant to LMR?

Response - AMS: When a new plant comes on line and begins production, we don't have them start reporting to LMR until they are settled and operating smoothly. However, if we know the plant will be large enough to be covered by LMR, we will reach out to the plant during its development to make sure they are aware of LMR so they can design their computerized accounting system with LMR in mind.



Livestock Mandatory Reporting. Compliance Review Process - Brittany Koop, AMS, LPGMN:

(The following notes correspond to the "[Compliance Review Process](#)" presentation linked on the [LMR Stakeholder Meeting webpage](#).)

Slides 1-2

- Purpose of compliance is to provide oversight and ensure regulatory follow-through with the LMR regulations
- LMR Compliance Structure
 - Compliance Program Manager, Coordinator, 5 Auditors
 - 200 Audits/year

Slides 3-5

- Audits
 - Audit schedule is developed once every six months
 - April through September and October through March
 - Review 5 random samples per reporting requirements
 - Every plant is audited twice per year including at least one full-day audit
 - Auditors request information from the packers, including but not limited to:
 - Slaughter line up for the day
 - All invoices for the day
 - Invoices
 - Settlement sheets
 - One record can contain multiple pieces of information
 - Auditors review the documentation
 - Check to make sure that it matches with what was reported to AMS
 - Was it timely? Was it accurate? Was it complete? Was it all there?
 - Write a compliance report

Slides 6-7

- Audit Timeline
 - Contact the plant to set up an audit schedule
 - Contact the reporters to see if there are any issues
 - Notifies the plant 10 business days prior to audit
 - Auditors conduct audit and report is sent to LMR reporters within 10 business days
 - Reporters have 5 business days to contact the plant
 - Plant has 10 business days to respond
 - Plants state corrective actions
 - Reporters send a response back to LMR Compliance team

Slide 8

- Internal review of the LMR program conducted by AMS, LPS, Quality Assurance Division

Slide 9

- Upcoming changes
 - Auditors will control the audit and report from start to finish
 - Streamline, make it more efficient
 - Update internal procedures
 - Implement a more formal training program
 - Amend current sampling procedures
 - 5 random samples pulled
 - Working with statisticians to update process



- Performance-based auditing system
 - Each plant has 2 audits/year
 - For plants that have many non-compliances, may add a third audit to initiate compliance
- Increased transparency
 - More communication with the plants over expectations during audit process

Questions & Comments – Livestock Mandatory Reporting, Compliance Program Presentation

Question: What are you looking for during an audit?

Response - AMS: We are making sure that the data submitted to AMS is accurate and free of errors. The auditors review supporting documentation provided by the plants to ensure it matches the information that was submitted to AMS.

Question: Just to clarify, you are auditing five random samples from a given day. However, if your staff thinks that something is amiss, can you audit that particular day as well?

Response - AMS: If we see something out of line or questionable, our reporters will investigate immediately. We don't need to wait for the next audit cycle.

Question: Is there public disclosure of the audit results?

Response - AMS: On our LMR Compliance page, we post a general summary of audit results. However, we do not provide any company or plant specific information.

Re-Visit Expectations of Stakeholders – FMCS:

(See the “Stakeholder Expectations” document posted on the [LMR Stakeholder Meeting webpage](#))

Discussion of stakeholder expectations regarding the LMR Stakeholder Meetings.

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