

April 22, 2022



## TEXAS CATTLE FEEDERS ASSOCIATION

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Mr. Michael Sheats, Director  
USDA-AMS Livestock, Poultry, and Grain Market News Division  
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RE: Comments on Development of Cattle Contract Library Pilot Project

Texas Cattle Feeders Association (TCFA) represents feedyards in Texas, Oklahoma and New Mexico, plus cattle feeding customers across the country who feed approximately 28% of the nation's fed beef. Our mission is, "To ensure the sustainability of cattle feeding by serving and advancing the economic, political, environmental, and cultural interests of cattle feeders and feedyard members, enhancing the reputation of fed beef production and increasing consumer confidence in beef."

We appreciate the opportunity to provide comments to help inform the design and implementation of a Cattle Contract Library (CCL) pilot project that will be managed and administered by the Livestock, Poultry, and Grain Market News Division. We appreciate the CCL pilot project being administered by the Livestock Market News Division, whereby 20 years of expertise and experience can be drawn upon to design and implement the CCL pilot project.

As the CCL pilot project is developed, we ask USDA to consider three important elements:

First, a library must be structured in a manner that provides factual and reliable information and does not result in unintended consequences of divulging confidential or proprietary business information, does not provide packers with additional market information that could inadvertently give packers more leverage, and does not limit nor constrain the future negotiating opportunities for cattle feeders.

Second, while the intent of a cattle contract library is to provide insights on the type, structure and duration of marketing transactions utilized by cattle feeders and packers to arrive at a final price, it should not be constructed in a way that stifles marketing innovation and results in "forcing" cattle feeders to trade on the averages. One option to avoid this outcome is to not organize the library in the same manner as the swine contract library, where individual contracts are listed with numeric, non-identifying numbers. Instead, we recommend organizing the library by disaggregating the terms contained within all contracts and then aggregating those terms into four categories: (1) Determination of Base Price, (2) Premium/Discounts, (3) Freight Costs and (4) Final Price Formulas. This approach has multiple benefits in that it adds another layer of protecting confidentiality. Please refer to the attached "Example Categorical Summary of Contracts" using the first two pages from the most recent "Swine Packer Marketing Contract Summary for Iowa and Minnesota." We believe this provides a useful example of how the CCL might differ from the swine library.



Mr. Michael Sheats  
Page Two  
April 22, 2022

Third, we encourage USDA to limit the scope of the Cattle Contract Library pilot project to deliver timely results and reports by focusing on:

1. "Market transaction terms" contained within existing contracts, which would be defined to include only those terms of a contract that determine the final payment paid to the owner of the cattle, such as how the base price is determined, premiums and discounts, freight costs and final price formulas. Other non-market related terms of contracts, such as animal raising provisions, financing arrangements, climate change or sustainability, should not be collected nor reported by USDA in the Cattle Contract Library.
2. Developing report forms, similar to the current LMR reporting process between packers and USDA, that would allow to provide "market transaction terms" on the prescribed LMR form in lieu of submitting copies of actual contracts to USDA. We believe this approach is reasonable since USDA has the authority to review or inspect actual contracts during the course of on-site audits conducted at the packers. USDA uses this same approach for audits conducted as part Process Verified Programs. This will further ensure that confidentiality is protected.
3. Developing producer education information on existing USDA market news reports and any new reports that might be developed as part of a Cattle Contract Library pilot project. We recommend that USDA consider expanding the scope of the USDA Cattle and Carcass Training Centers to help deliver this information to producers.
4. Lastly, we recommend that USDA not expend any time or resources to collect information from packers for the purposes of reporting the total number of fed cattle committed under contracts for delivery to packers within the 6-month and 12-months periods. The confidence in these types of projections is questionable and could have the unintended consequence of providing more information to the teams of packer analysts that might inform future negotiations and purchasing decisions by packers. It could also result in potentially false or inaccurate data erroneously influencing cattle futures positively or negatively.

Thank you for the opportunity to provide these comments on behalf of Texas Cattle Feeders Association members.

Sincerely,



Kevin H. Buse  
Chairman

Attachment

# EXAMPLE CATEGORICAL SUMMARY OF CONTRACTS

## Swine Packer Marketing Contract Summary - Iowa Minnesota

April 22, 2022

This example provides an alternative means of reporting the same information provided in the latest published version of the "Swine Packer Marketing Contract Summary – Iowa Minnesota: Swine or Pork Market Formula." The difference here is that the contract "market transaction terms" are reported in FOUR categories: (1) Determination of Base Price, (2) Premium/Discount Type, (3) Freight Costs, and (4) Final Price formulas. For purposes of this example, only the first two pages of the existing report are illustrated below in this categorical format:

### **Determination of Base Price**

LM\_HG203, Negotiated Base Weighted Average Range, 2 days prior to delivery  
LM\_PK602, Pork Carcass Cutout, 2 days prior to delivery  
LM\_HG212, Negotiated Base Weighted Average, Two Days Prior to Delivery  
LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery  
LM\_HG203, Negotiated Base Weighted Average, Day Prior to Delivery  
LM\_HG212, Weighted Average, Day prior to Slaughter  
LM\_PK602, Pork Carcass Cutout, Day prior to Slaughter  
LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery  
LM\_HG203, Negotiated Base Weighted Average, Day of Delivery

### **Premiums/Discounts**

Premium/Discount Type: Carcass Merit See Schedule: 64  
Premium/Discount Type: Sort See Schedule: 85  
Premium/Discount Type: Cutout Premium, (\$13.25)  
Premium/Discount Type: Weighted Average Premium  
Premium/Discount Type: Contract Premium, (\$1.00)  
Premium/Discount Type: Sort See Schedule: 78  
Premium/Discount Type: Carcass Merit See Schedule: 18  
Premium/Discount Type: Contract Premium, \$2.00  
Premium/Discount Type: Sort See Schedule: 80  
Premium/Discount Type: Lean See Schedule: 34  
Premium/Discount Type: Carcass Merit See Schedule: 7  
Premium/Discount Type: Contract Premium, \$3.50  
Premium/Discount Type: Cutout Percentage 92%  
Premium/Discount Type: Contract Premium, \$1.00  
Premium/Discount Type: Contract Premium, \$2.75  
Premium/Discount Type: Contract Premium, \$3.00

### **Freight Costs**

Freight, \$1.25 Delivery to Specified Plant

### **Final Price Formulas**

Final Price = 35% (Cutout Value + Cutout Premium) + 65% (Weighted Average + Weighted Average Premium)

+ Carcass Merit Adjustment

Final Price = Day Prior Weighted Average + Contract Premium + Carcass Merit Adjustment

Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Final Price = 60% \* Cutout Percentage \* Cutout Value + 40% \* (Weighted Average + Contract Premium) + Carcass Merit Adjustment + Freight, if applicable.

Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Final Price = Weighted Average + Contract Premium + Carcass Merit Adjustment

## Swine Packer Marketing Contract Summary - Iowa Minnesota Swine or Pork Market Formula

### **Determination of Base Price 530**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average Range, 2 days prior to delivery

LM\_PK602, Pork Carcass Cutout, 2 days prior to delivery

#### **Other Terms**

Final Price = 35% (Cutout Value + Cutout Premium) + 65% (Weighted Average + Weighted Average Premium) + Carcass Merit Adjustment

Premium/Discount Type: Carcass Merit See Schedule: 64

Premium/Discount Type: Sort See Schedule: 85

Premium/Discount Type: Cutout Premium, (\$13.25)

Premium/Discount Type: Weighted Average Premium

### **Determination of Base Price 1475**

#### **All Reports Referenced**

LM\_HG212, Negotiated Base Weighted Average, Two Days Prior to Delivery

#### **Other Terms**

Premium/Discount Type: Carcass Merit See Schedule: 64

Premium/Discount Type: Sort See Schedule: 85

Premium/Discount Type: Contract Premium, (\$1.00)

### **Determination of Base Price 1490**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery

LM\_HG203, Negotiated Base Weighted Average, Day Prior to Delivery

#### **Other Terms**

Option 1: Final Price = Day Prior Weighted Average + Contract Premium + Carcass Merit Adjustment Option

2: Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Premium/Discount Type: Sort See Schedule: 78

Premium/Discount Type: Carcass Merit See Schedule: 18

Premium/Discount Type: Contract Premium, \$2.00

### **Determination of Base Price 1499**

#### **All Reports Referenced**

LM\_HG212, Weighted Average, Day prior to Slaughter

LM\_PK602, Pork Carcass Cutout, Day prior to Slaughter

#### **Other Terms**

Final Price = 60% \* Cutout Percentage \* Cutout Value + 40% \* (Weighted Average + Contract Premium) + Carcass Merit Adjustment + Freight, if applicable.

Premium/Discount Type: Sort See Schedule: 80

Premium/Discount Type: Lean See Schedule: 34

Premium/Discount Type: Carcass Merit See Schedule: 7

Premium/Discount Type: Freight, \$1.25 Delivery to Specified Plant

Premium/Discount Type: Contract Premium, \$3.50

Premium/Discount Type: Cutout Percentage 92%



## Swine Packer Marketing Contract Summary - Iowa Minnesota Swine or Pork Market Formula

### **Determination of Base Price 1500**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery

LM\_HG203, Negotiated Base Weighted Average, Day of Delivery

#### **Other Terms**

Option 1: Final Price = Weighted Average + Contract Premium + Carcass Merit Adjustment Option 2: Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Premium/Discount Type: Sort See Schedule: 78

Premium/Discount Type: Carcass Merit See Schedule: 18

Premium/Discount Type: Contract Premium, \$1.00

### **Determination of Base Price 1501**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery

LM\_HG203, Negotiated Base Weighted Average, Day of Delivery

#### **Other Terms**

Option 1: Final Price = Weighted Average + Contract Premium + Carcass Merit Adjustment Option 2: Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Premium/Discount Type: Sort See Schedule: 78

Premium/Discount Type: Carcass Merit See Schedule: 18

Premium/Discount Type: Contract Premium, \$2.75

### **Determination of Base Price 1502**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery

LM\_HG203, Negotiated Base Weighted Average, Day of Delivery

#### **Other Terms**

Option 1: Final Price = Weighted Average + Contract Premium + Carcass Merit Adjustment Option 2: Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Premium/Discount Type: Sort See Schedule: 78

Premium/Discount Type: Carcass Merit See Schedule: 18

Premium/Discount Type: Contract Premium, \$3.00

### **Determination of Base Price 1503**

#### **All Reports Referenced**

LM\_HG203, Negotiated Base Weighted Average, Average - 3 days prior to delivery

LM\_HG203, Negotiated Base Weighted Average, Day of Delivery

#### **Other Terms**

Option 1: Final Price = Weighted Average + Contract Premium + Carcass Merit Adjustment Option 2: Final Price = 3-day Average Weighted Average + Contract Premium + Carcass Merit Adjustment.

Premium/Discount Type: Sort See Schedule: 78

Premium/Discount Type: Carcass Merit See Schedule: 18

Premium/Discount Type: Contract Premium, \$3.50