



Negotiated, Other Market Formula, and Swine or Pork Market Formula Purchases

Issue: Reporting Negotiated, Other Market Formula, and Swine or Pork Market Formula purchases.

Livestock, Poultry and Grain Market News (LPGMN) Position: A Negotiated Purchase is defined as a cash or spot market purchase by a packer of livestock from a producer under which the base price for the livestock is determined by seller-buyer interaction and agreement on a delivery day. The livestock are scheduled for delivery to the packer not more than 14 days after the date on which the livestock are committed to the packer. An Other Market Formula Purchase is a purchase of swine by a packer in which the pricing mechanism is a formula price based on any market other than the market for swine, pork, or a pork product. This includes a formula purchase in a case which the price formula is based on one or more futures or options contracts. A Swine or Pork Market Formula Purchase is a purchase of swine by a packer in which the pricing mechanism is a formula price based on a market for swine, pork, or a pork product, other than a future or option for swine, pork, or a pork product. Packers are required to report purchase types correctly.

LPGMN Guidance: All swine packing companies subject to LMR will report their swine purchases under the following guidance, if applicable:

- Formula Purchases where the Base Price is Known (effective July 3, 2017):
 - Any formula based purchases of swine where the base price is known at the completion of negotiation should be reported as a Negotiated Purchase.
 - Any swine purchases using a formula price with an undetermined price at the completion of the negotiation should be reported as either a Negotiated Formula Purchase or a Swine or Pork Market Formula Purchase depending on the terms and times associated with the purchase.
- Swine Purchases Based on the CME Lean Hog Index (effective July 3, 2017):
 - All purchases of swine where the base price is based on the CME Lean Hog Index as the pricing mechanism should be reported as a Swine or Pork Market Formula Purchase. Prior to implementation, these hogs were reported as Other Market Formula Purchases.
 - Any swine purchases formulated off of a future or option should be reported as Other Market Formula Purchases.
- Swine Purchases Based on the CME Pork Cutout Index (effective November 9, 2020):
 - All swine purchases where the base price is based on the CME Pork Cutout Index should be reported as a Swine or Pork Market Formula Purchase.