

# Mandatory Price Reporting: Perspective and Future

Steve R. Meyer, PhD  
Economist

Partners for Production Ag  
2617 Northridge Parkway  
Ames, IA 50010  
(515) 268-8888

# Why did they ask Meyer to be last on this series . . .

- I have more grey hair than all the others!
- I am one of the few left in the business who was in the room when the law was crafted – and it was a painful experience!
- I have been NPPC's representative or consultant for all reauthorizations
- I have been very supportive of Market News through this process
  - Mike ?????, Jim Epstein, Mike Lynch, Jim Bernau, et al may disagree!
  - Doesn't mean I have agreed all the time but I have almost always stood with USDA in talks with producers and others
  - The reason: USDA Market News has done an admirable job in running almost every aspect of MPR

# Why do we have MPR and what is it's role?

- 1980s saw the end of public transactions with closure of last of the terminals and many country auctions – primarily due to growth of PRODUCERS
- 1990s gave rise to much skepticism/distrust of voluntary reporting
  - Voluntary is voluntary – report what you want
  - Most producers did not realize how much experience and judgement USDA applied to report “the market”
- Crisis of 1998 was the final blow – “We want to KNOW the prices that everyone receives!”
  - Federal government could not publish all prices gathered through MPR
  - Weighted averages and ranges – and the ranges were (and are!) WIDE
  - Later addition of price distributions shed light on the number of hogs by price

# Congress had very little to do with LMRA of 1999

- This was really a GOOD thing – can you imagine Congressmen and Senators trying to write a livestock price reporting bill?
- A long series of conference calls between packers (AMI), producers (NPPC) and Market News
- Neither AMI nor NPPC trusted the political appointees at USDA
  - Led to an early decision to be VERY prescriptive – “tie their hands”
  - Never popular with Market News personnel – would have preferred some leeway
- USDA’s ability to audit data has been critical – drives trust
- MPR has never been “price discovery” – it just reports the results of interactions that “discover” prices
  - I think I was the one who coined the term “Mirror on the marketplace” – the role of MPR is to show us what is going on

# MPR through the years . . .

- 5-year sunset has proven problematic at times but a valuable opportunity to improve the program
- We got the pricing mechanisms amazingly right and the only major change (adding Negotiated Formula) has been a flop
- Immediate problem: Confidentiality criteria – USDA's did not work at all for daily data.
- First substantive change was to include more sows – boars have never met and won't ever meet confidentiality criteria
- **BIG CHANGE** – added pork in 2010 reauthorization
  - This was a “deal killer” in original legislation negotiations
  - Driven by consolidation at the retail/foodservice level
  - **MAJOR RESULT:** An estimated cutout value based on BROAD data

# Problems and future direction . . .

- Biggest challenge is the decline in the number of negotiated trades
  - Negotiating hog prices is costly and time consuming and inexact
  - MPR is a victim of its own success: Dependable, trusted data has led to more hogs being priced through formulas
  - No easy solutions – Tragedy of the Commons that can be solve only by internalizing costs/benefits
- Initial lumping of swine and pork market formulas is now a problem
  - Hardly any hogs priced off cutout in 1999 – and it was very correlated to spot
  - NOT SO TODAY – and breaking these apart is a proposed change
- Broad-based cutout value is trusted enough to settle the Cutout Value contract

# Questions?

Partners for Production Ag  
2617 Northridge Parkway  
Ames, IA 50010  
(515) 268-8888