



Update on Livestock Mandatory Reporting for Lamb


Erica Sanko

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Livestock Mandatory Reporting (LMR)

- ▶ Livestock Mandatory Reporting Act of 1999 (Act)
 - ▶ Managed by USDA Agricultural Marketing Service (AMS)
 - ▶ Increase transparency in market transactions.
 - ▶ Facilitate more efficient markets.
 - ▶ Encourage competition.
 - ▶ Easily understood by producers.
 - ▶ *Sole source of market information on sales of lambs to packers, lamb meat products, & imported lamb.*
 - ▶ Renewed every 5 years...2015, 2020, 2025.
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LMR Confidentiality Guideline

- ▶ Act – Must publish in a manner that protects the identity of reporting entities & preserves the confidentiality of proprietary transactions.
- ▶ LMR Confidentiality ‘Guideline’ or 3/70/20
 - ▶ At least 3 reporting entities need to provide data at least 50% of the time over the most recent 60-day period.
 - ▶ No single reporting entity may provide more than 70% of the data for a report over the most recent 60-day period.
 - ▶ No single reporting entity may be the sole reporting entity for an individual report more than 20% of the time over the most recent 60-day time period.



LMR–Lamb Reporting Issues

- ▶ Lamb industry has become more concentrated:
 - ▶ Significant reduction in the amount of market information available.
 - ▶ Lamb market data cannot be reported due to 3/70/20.
 - ▶ LM_LM302 & LM_LM351 discontinued in December 2017.
 - ▶ Decline in market transparency & usefulness to producers.
 - ▶ Markets are not operating efficiently due to lack of data.
 - ▶ What little market data being reported is at risk
- ▶ *LMR data used to establish insurance contracts (LRP–Lamb), indemnity loss payments, economic analysis, financial management, & policy analysis.*



Timeline of ASI Efforts: 2012 – 2015

- ▶ **2012:** “Analysis of Mandatory Price Reporting System for Lamb” by the Livestock Marketing Information Center (LMIC)
 - ▶ Analysis proposed 22 recommendations.
- ▶ **2013 – 2015:** ASI & AMS collaborated to achieve best solutions.
 - ▶ Alternatives to regulatory guidelines – slaughter & importer thresholds, alternatives to 3/70/20.
 - ▶ Changing report categories & descriptors to represent current marketing practices.
 - ▶ Consolidating reports &/or sections of reports.
 - ▶ Propose statutory rulemaking to the Act.



Timeline of ASI Efforts: 2015

- ▶ Reauthorization of LMR Act
- ▶ Required AMS to conduct a **comprehensive study** due to Congress by March 1, 2018.
 - ▶ Led to 'Stakeholder Meetings' in 2016 – 2017.
- ▶ Lowered lamb slaughter & import volume thresholds
 - ▶ Reflect current industry levels & increase reporting under 3/70/20.
- ▶ Proposal for mandatory reporting of lambs committed & a new pelt credit report with quality descriptors was not included.
 - ▶ AMS implemented proposed pelt credit report under voluntary program per ASI recommendations.



Timeline of ASI Efforts: 2016

- ▶ AMS Introduces *'Working with Livestock Industry to Provide Critical Market Intelligence'*
- ▶ AMS commissioned a study to conduct a baseline analysis of the livestock & meat industry relative to LMR.
 - ▶ Packers have become larger, more concentrated, & more vertically integrated.
 - ▶ Confidentiality guidelines challenging price reporting; markets thinner.
- ▶ *Nothing new for the lamb industry.*
- ▶ *Potential Alternatives – Not feasible for the lamb industry...already doing...i.e. weekly reports, rolling averages.*



Timeline of ASI Efforts: Fall 2016

- ▶ Commodity Stakeholder Meetings
- ▶ Engage lamb producers, packers, & other key market participants.
 - ▶ *ASI, AFBF, LMA, LMIC, NAMI, NFU, Importers*
- ▶ Discuss current challenges & industry needs with LMR.
- ▶ Goal is to reach **consensus** on what each commodity area would like changed in the next reauthorization (2020).
- ▶ Information necessary for AMS **Consensus Report** to Congress.
- ▶ **Consensus Report** to serve as information for Congress to consider & use for the basis of an orderly reauthorization.



Comprehensive Value: March 2017

- ▶ National Weekly Slaughter Sheep Review (LM_XL352)
- ▶ Mathematical formula:
 - ▶ Converts live basis transactions to a carcass basis; uses the estimated dressing percentage.
 - ▶ Aggregated with existing carcass basis prices to determine the weighted average net price.
 - ▶ Suppresses weekly trade volumes to meet 3/70/20.
- ▶ *ASI Response:*
 - ▶ Should be a short-term alternative.
 - ▶ Lack of information available to producers & stakeholders.
 - ▶ Not readily understood by producers.




Lamb Stakeholder Meeting: November 2017

- ▶ ASI requested AMS conduct analysis of 3/70/20 alternatives.
- ▶ Report assessed 16 alternative price reporting calculations.
 - ▶ Comprehensive Value – *Current & preferred option by AMS.*
 - ▶ Supplement with voluntary auction data...*Significant market differences.*
 - ▶ Price Index...*Not readily understood by producers.*
 - ▶ Standardized Pricing...*Not readily understood by producers.*
- ▶ *ASI Response:*
 - ▶ Conflicts with Act objectives, changes AMS role from a 'reporting' agency to one that 'analyzes & interprets' market data.



Lamb Stakeholder Meeting: November 2017

- ▶ Meeting held over two conference calls.
- ▶ Discussion focused on confidentiality guideline & cooperative reporting.
- ▶ *Consensus* – 3/70/20 not working.
- ▶ *Consensus* – Cooperative transactions must be reported.
 - ▶ Now cooperative transactions are included in LMR–Lamb
 - ▶ *BUT* this is not guaranteed – Need a regulatory change to ensure cooperatives are included under LMR.
- ▶ Additional items & issues discussed.
- ▶ *ASI submits its priorities to Stakeholder group.*



ASI Position Unchanged

- ▶ LMR is challenged & not meeting objectives of the Act.
- ▶ Critical to implement guidelines that are specific to the unique, consolidated lamb industry.
- ▶ Current 3/70/20 guideline hindering efficient markets.
- ▶ The impact of not providing information is significant.
 - ▶ It may influence the future viability of lamb producer & packer–processor enterprises.
- ▶ LMR–Lamb is a price reporting program.
 - ▶ Data is not real-time, rearview mirror approach.




ASI Position Unchanged

- ▶ Future of LMR–Lamb depends on the confidentiality guideline.
- ▶ Act is rather **vague** regarding confidentiality.
- ▶ Must change 3/70/20 or program to allow for more reporting entities.
- ▶ Comprehensive values instead of actual prices is not a solution.
- ▶ Vertical business relationships in which prices are negotiated must be included in LMR.
- ▶ Price data cannot be manipulated &/or reported in a manner that is not easily understood by producers or reflective of the marketplace.




ASI Report to Congress: March 2018

- Develop a new confidentiality guideline that works for lamb.
 - Include a definition for Cooperatives & Custom Processors.
 - Lower slaughter/processor thresholds to 20,000 head.
 - Mandatory reporting of carcass data to calculate the National Lamb Carcass Cutout (LM_XL502).
 - Mandatory reporting of pelt price/credit, volume, & classification descriptors (i.e. make the voluntary report mandatory).
 - Lambs Committed Report – 30 day window.
 - Discontinue the Daily Lamb Carcass Report (LM_XL501).
 - *Doing nothing is not an answer nor a solution.*
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Looking Ahead...Some Thoughts

- ▶ If, the goal of LMR is to provide information to lamb producers, & encourage market competition for lamb & lamb meat products the question that needs to be addressed is:
 - ▶ *“How does the industry achieve functional reporting in a uniquely structured industry with extraordinary consolidation, significant vertical coordination & integration, & in many instances, is thinly traded?” – Dennis Stiffler*
 - ▶ **Without LMR market data ASI cannot advocate on behalf of your sheep industry.**
 - ▶ Establish insurance contracts.
 - ▶ Indemnity loss payment determination.
 - ▶ Economic, market, trade, & policy analysis.
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Thank You...Questions