

Daily Livestock Report

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Our statement in yesterday's edition that "Cut prices are updated daily for beef and as often as they are traded and reported for pork . . ." predicated a few questions from readers about the status of wholesale pork price reporting.

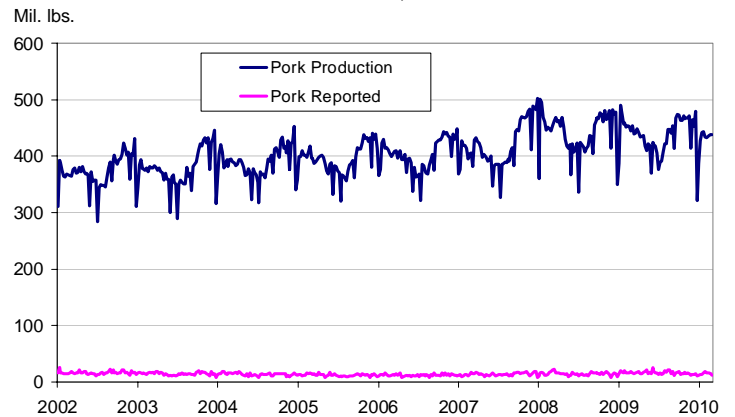
Wholesale pork cuts were NOT included in the Livestock Mandatory Price Reporting Act of 1999 (LMRA). Wholesale beef cuts were included in that act and have been reported daily since that time. Pork packers and their customers report prices voluntarily. Some cuts get reported most days. Some cuts are never reported. Some get reported once or twice per week. Readers can watch USDA's National Carlot Pork Report (www.ams.usda.gov/mnreports/nw_Is501.txt is the morning version, www.ams.usda.gov/mnreports/nw_Is500.txt is the afternoon version) to see where the blanks occur each day. As can be seen at right, the prices of only a fraction of the pork produced are reported to USDA. There are several reasons for the low numbers:

- The weight of the actual products are not "carcass weight equivalent." A smoker-trimmed picnic or square-cut Boston butt weigh less than the "drop" picnic or Boston butt (ie. the cuts as they are taken directly from the carcass). The "drop" cuts include skin, trimmed fat and some lean trim required to make the cuts meet downstream specs. That is true of other wholesale cuts as well.
- A LARGE percentage of some cuts never trade at the wholesale, unprocessed level. This is especially true of the "processing" cuts — bellies, hams and picnics and trimmings. Loins, butts and ribs are frequently called "retail" cuts because many of them involve far less processing and are sold directly to retailers in a more unprocessed state. Most pork packers cure or smoke most, if not all, of the bellies and hams they produce, smoke or bone out most or all of the picnics and make a large amount of trimmings into sausage. So, those items are "priced" only as internal transfers.
- Another large chunk of the cuts that do trade are priced through formulas tied to the prices of the few cuts that are reported. The thinness of these reported markets is troubling to economists but doesn't seem to phase pork traders much. The move to formulas is driven by efforts to reduce transactions costs and, in many observers' opinions, an effort by both sellers and buyers to "not be wrong." The thought is that one's boss can never hold you responsible for selling or buying too high or too low if you are using a formula. It's always someone else's fault.

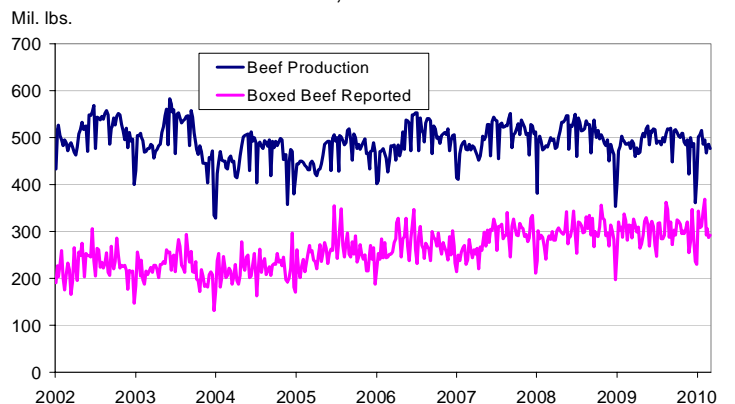
As you can see, far more beef is reported each day and week. That was the case even before mandatory beef reporting went into effect in 2002 since beef involves far less further processing and thus far fewer internal transfers of product.

Why was beef included in the LMRA and pork was not? Because the beef industry agreed to include it and pork producers and packers could not agree on the topic. Congress had told the industry groups to "Bring us a bill that you all agree on or we will not pass it" back in 1999. Beef producers and packers agreed to include wholesale cuts. The pork industry did not. But the sentiment to change is growing and wholesale pork cuts could very well join the mandatory reporting system when LMRA is reauthorized this year.

PORK PRODUCED AND REPORTED VOLUNTARILY, WEEKLY



BEEF PRODUCED AND REPORTED UNDER MPR, WEEKLY



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