



Price transparency and fair prices to farmers results from a survey

Peter Weeks, Consultant to MLA
agri benchmark Global Forum
Saskatoon, Canada 23 June 2017



Address outline

- Why target price transparency?
- How big is the issue worldwide – *agri benchmark* network survey
- Australian experience
- US experience



Cattle & beef price transparency

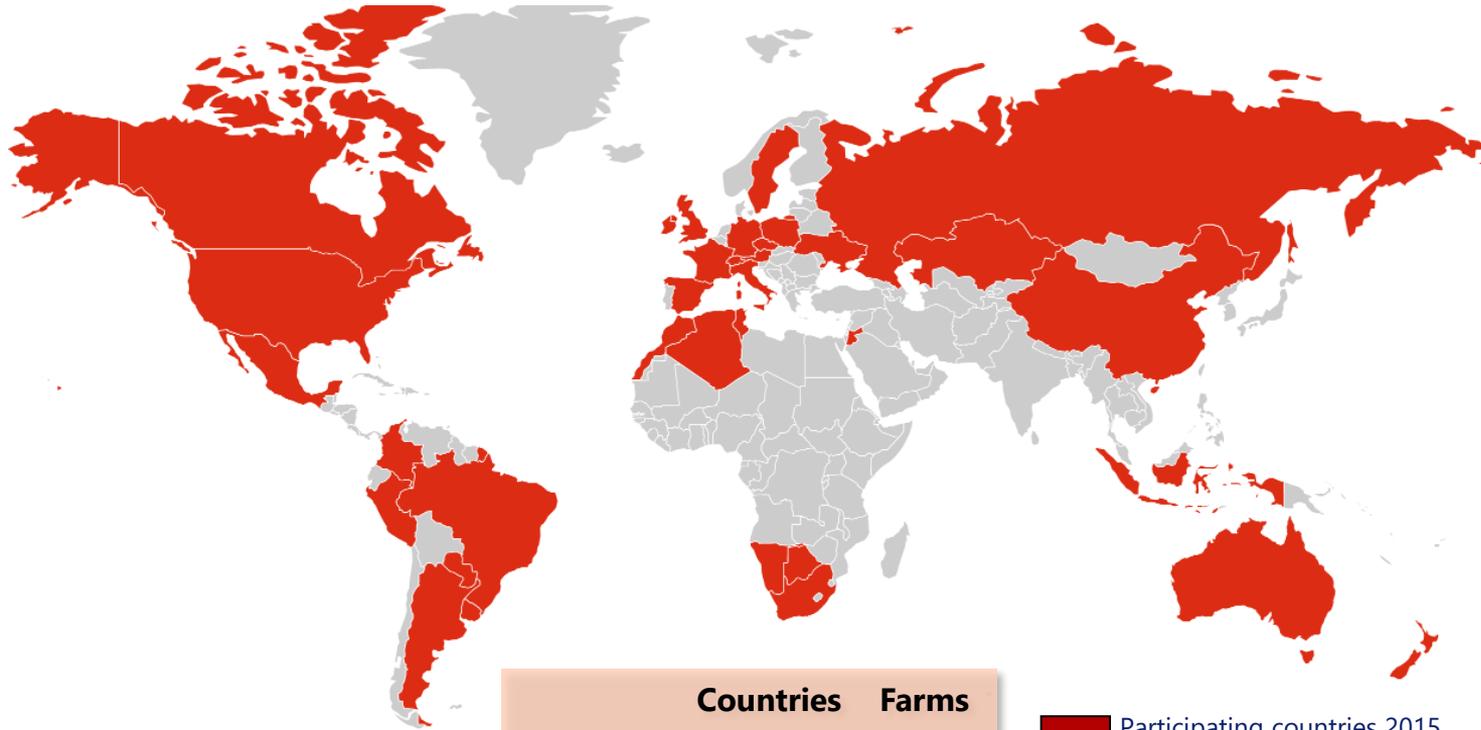
An issue of concern to beef producers in most countries

Is deteriorating due to increasing buyer concentration & the growth of non-cash marketing

Producer share of the retail dollar is declining in most countries

Is seen as the magic key to producers receiving a fair price for their cattle!

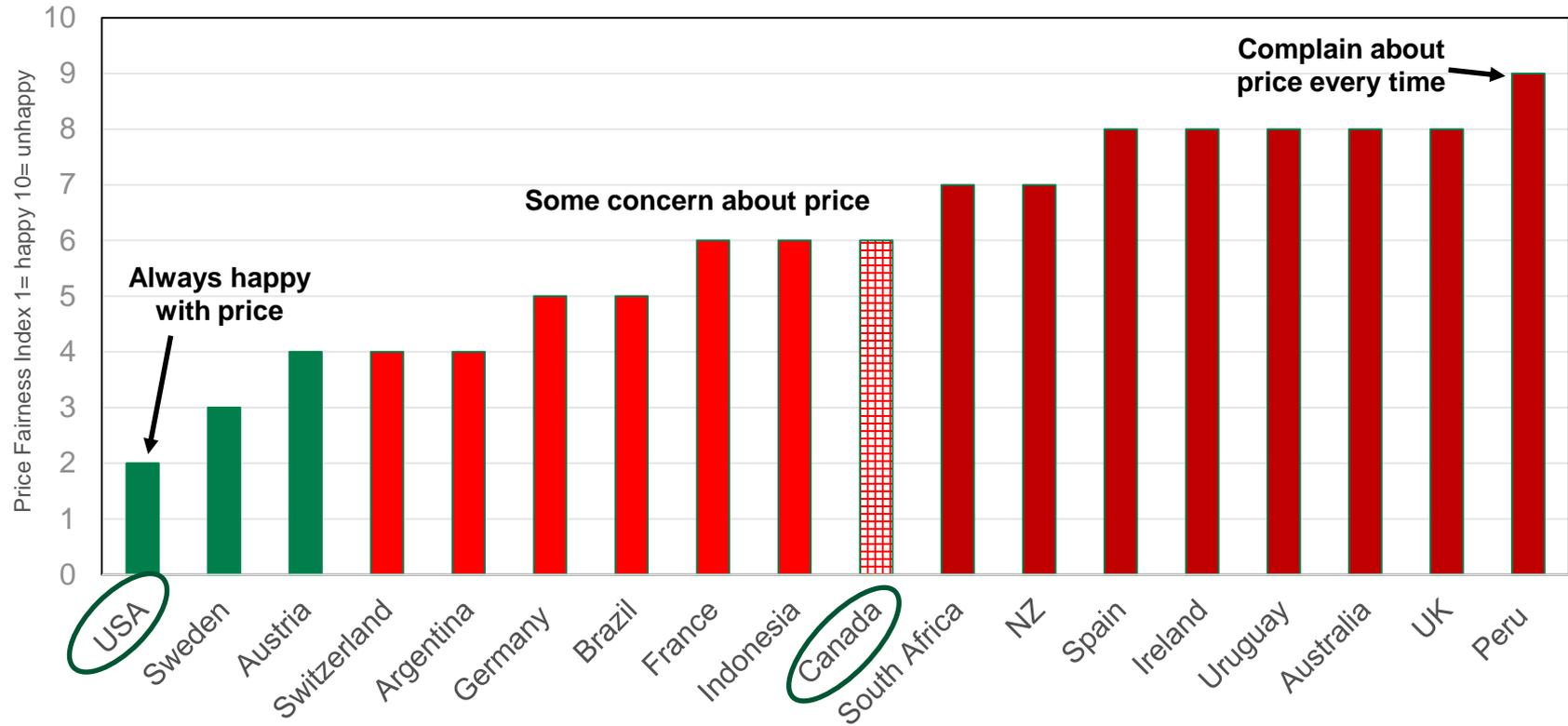
Surveyed the *agri benchmark* network



| | Countries | Farms |
|-------------------|-----------|------------|
| Beef farms | 32 | 160 |

 Participating countries 2015
 Contacts for further growth

Cattle farmers receive a fair price from abattoirs?*

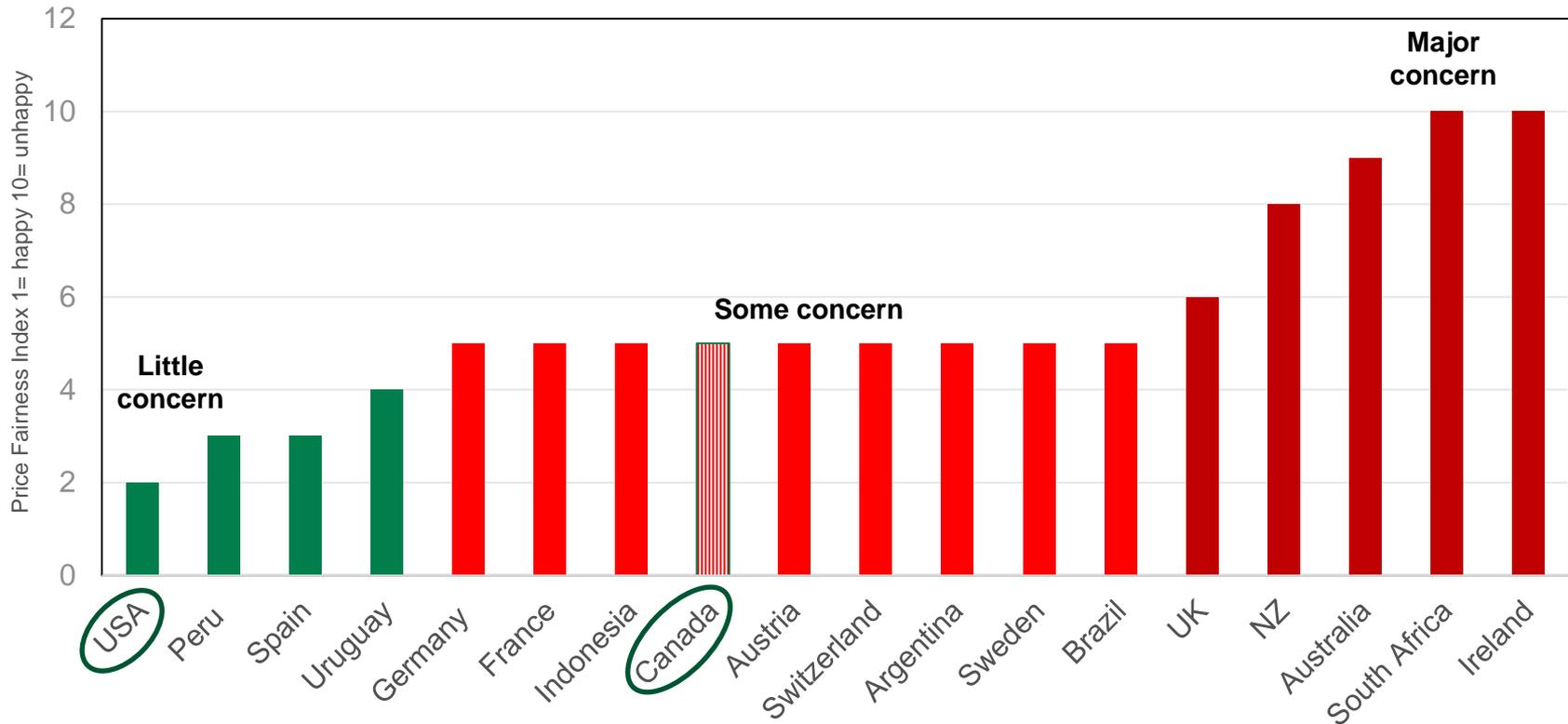


*Over the past two (2) years, how often would a cattle farmer have felt they received a fair price from abattoirs?

The Irish provide a colourful example



Concerned about supply chain market transparency?



Over the past two (2) years, have cattle producers in your country been concerned about whole supply chain (from barn/paddock to retail) market transparency?

Source: Survey of agri benchmark network members

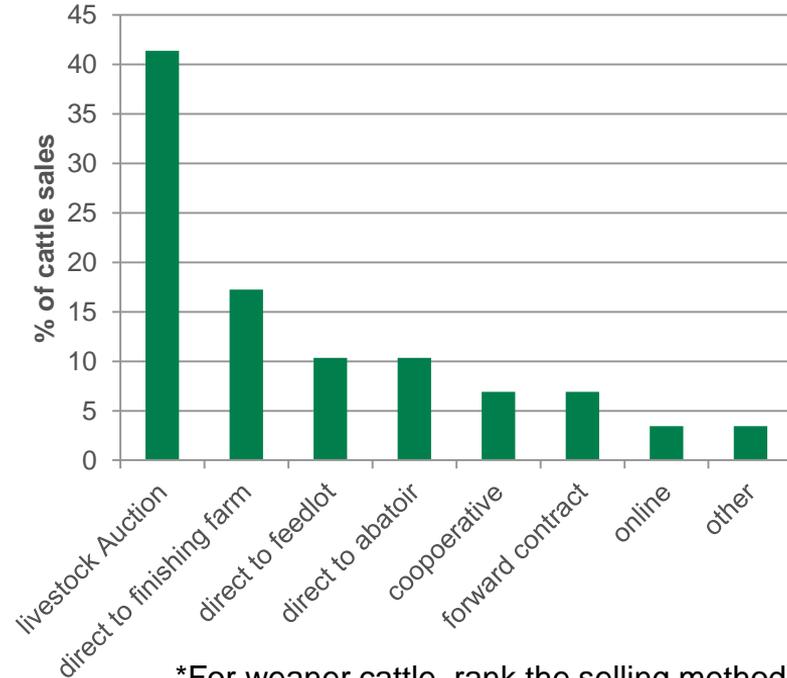
Why target price transparency?

Price transparency along the supply chain can:

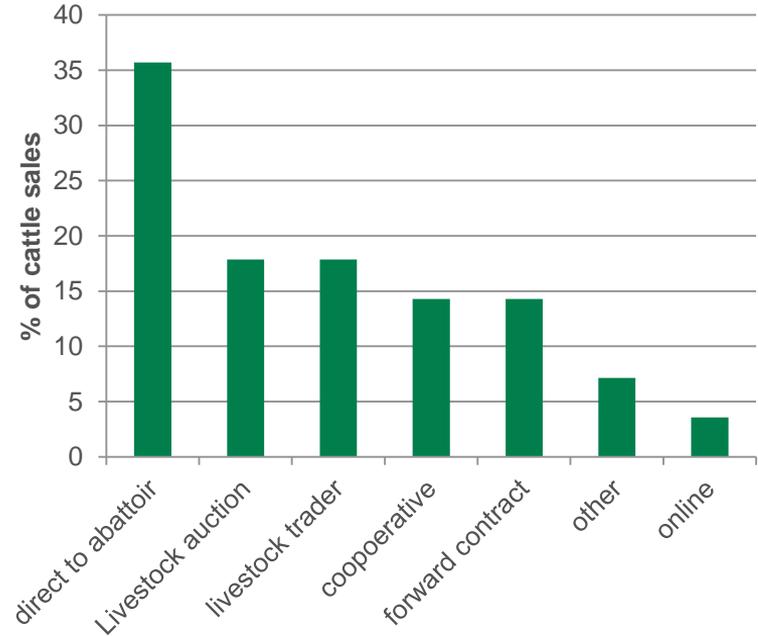
- Improve price discovery – communication of consumer needs back all the way to producers
- improve beef quality (better meeting consumer needs)
- Cause regional market prices to move more closely together
- Increase market stability
- Promote trust and cooperation along the supply chain
- Promote alternatives to cash markets
 - AMA's - futures, formula, forward contracts etc
- AMAs, in turn, can:
 - improve beef quality
 - increase processor & feedlot efficiency & reduce costs
 - reduce risk for all players

Most frequently used selling methods worldwide*

Weaners



Finished cattle



*For weaner cattle, rank the selling methods from most frequently used to least frequently used over the past two (2) years?

Use of price risk management tools

Futures

- US (CME)
- Canada (CME)
- Brazil

Insurance

- Canada
- Peru

Fixed price

- Austria

Forwards

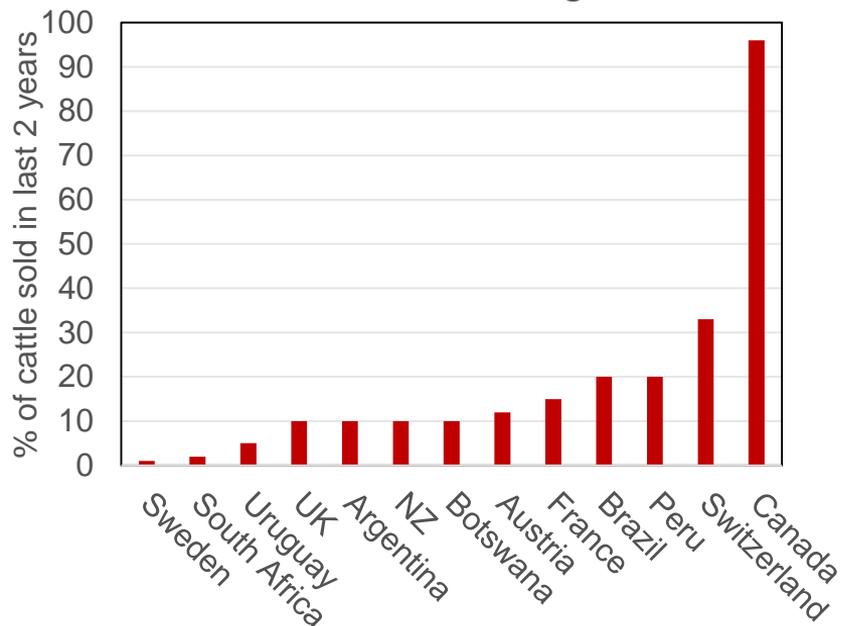
Common

- NZ (dairy beef)
- Switzerland
- Canada
- US

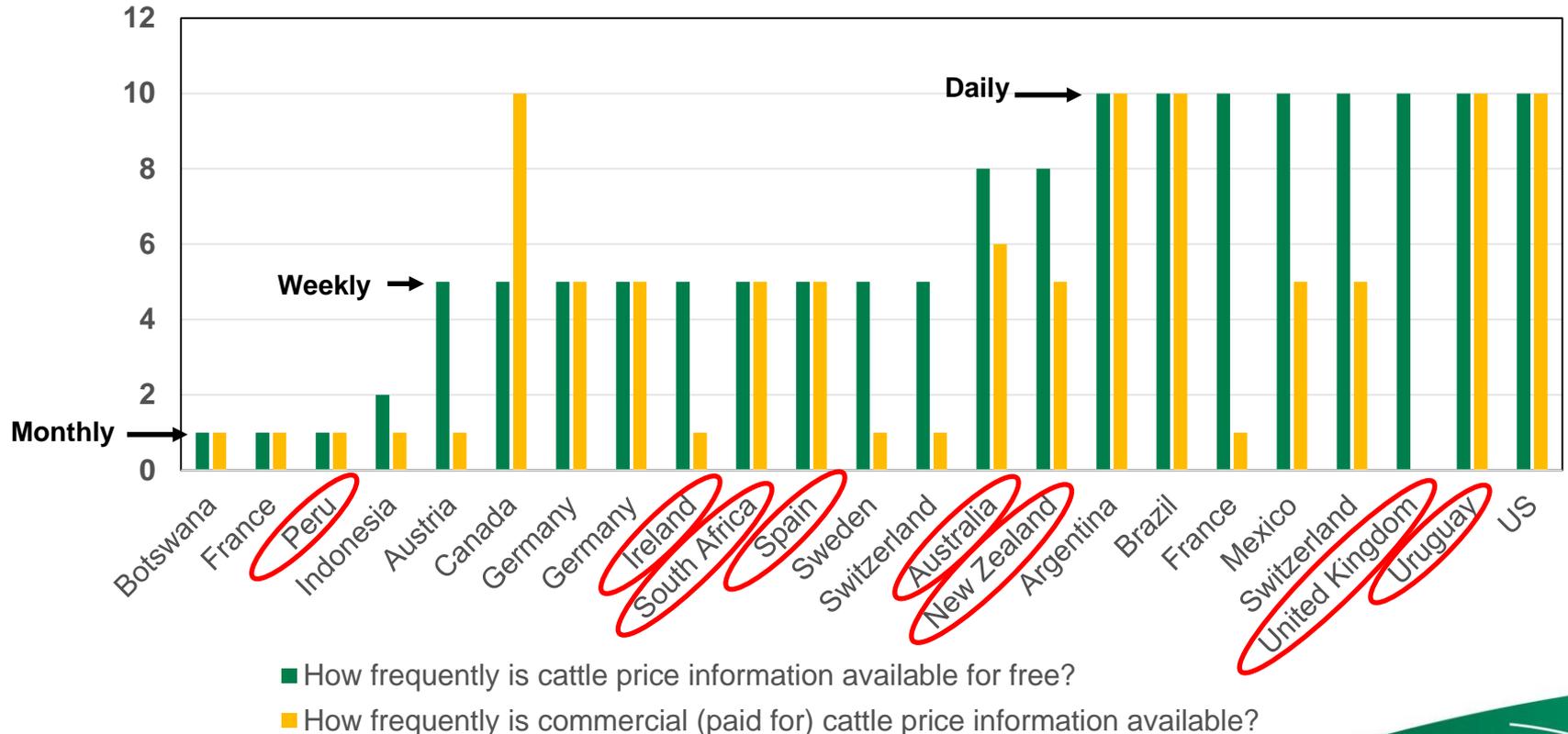
A little

- Australia
- Argentina
- Austria
- Botswana
- Uruguay
- France
- UK
- South Africa
- Sweden

Proportion of cattle sold using risk management



Frequency of cattle price information



Source: Survey of agri benchmark network members

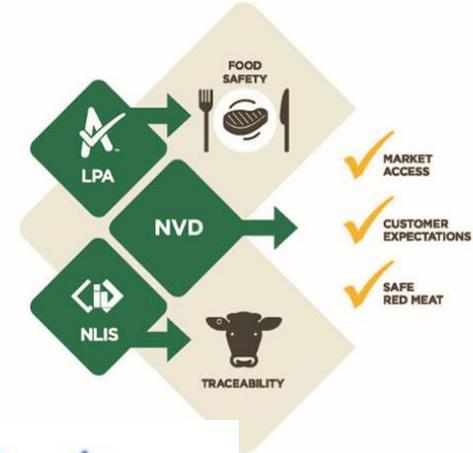
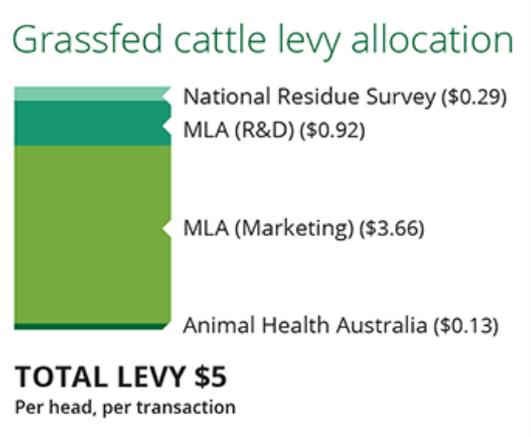
Cattle & beef price transparency in Australia



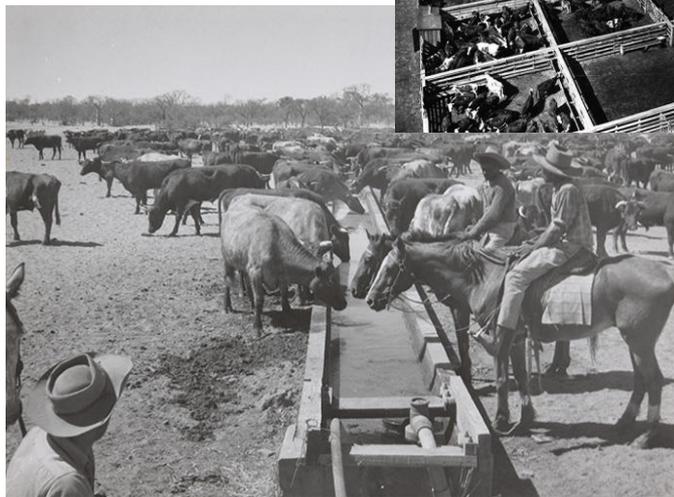
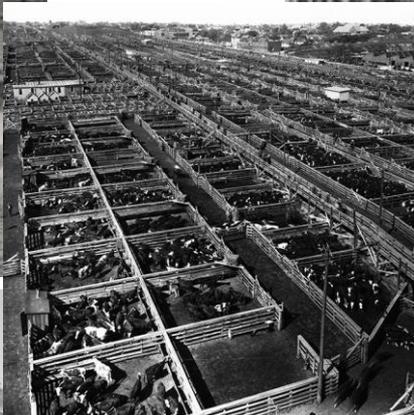
Australia prides itself as being at the forefront of sophisticated product quality & integrity systems with electronic cattle ID, MSA



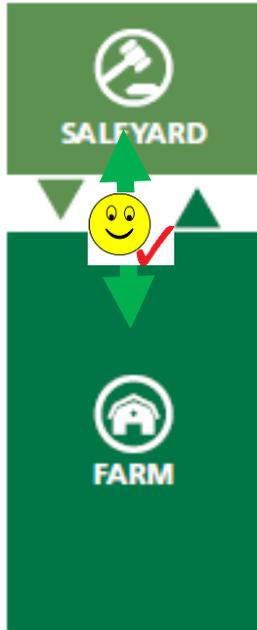
National Livestock Identification System



But when it comes to cattle & beef trading we are rather primitive



Price transparency in the Australian beef supply chain



National Livestock Reporting Service
- the leader in livestock intelligence



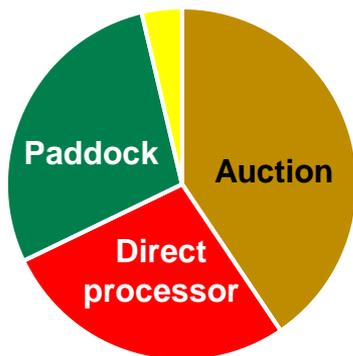
| Cattle Reports | |
|--------------------------|---------------------|
| Market | Sale Day |
| NSW | |
| Armidale | Thursday |
| Casino | Wednesday |
| CLTX Carcoar Prime | Tuesday |
| CTLX Carcoar Store | Friday* |
| Dubbo Prime | Thursday |
| Dubbo Store | Friday |
| Finley | Friday |
| Forbes | Monday |
| Gunnedah | Tuesday |
| IRLX Inverell | Tuesday |
| Moss Vale store | Friday* |
| Scone | Tuesday |
| Singleton | Wednesday |
| TRLX Tamworth | Monday |
| Wagga | Monday |
| Victoria | |
| Ballarat | Monday |
| Bairnsdale Prime | Thursday |
| Bairnsdale Store | Friday** |
| Camperdown | Tuesday |
| Colac | Thursday |
| Leongatha | Wednesday |
| NVLX Barnawartha | Tuesday & Wednesday |
| Pakenham | Monday & Tuesday |
| Shepparton | Tuesday |
| Warrnambool | Wednesday |
| Queensland | |
| CQLX Gracemere | Friday |
| Dalby | Wednesday |
| Emerald | Thursday |
| Roma Prime | Tuesday |
| Roma Store | Tuesday |
| Toowoomba | Monday |
| Warwick | Tuesday |
| South Australia | |
| Mount Compass | Wednesday |
| Mount Gambier | Wednesday |
| Naracoorte | Tuesday |
| SA Livestock Exchange | Monday |
| Tasmania | |
| Northern Tas Saleyards | Tuesday |
| Western Australia | |
| Boyanup Prime | Tuesday |
| Boyanup Store | Friday* |
| Mount Barker | Thursday |
| Muchea | Monday |

*Monthly **Every 2nd Friday of month

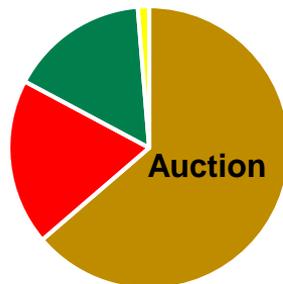


Beef cattle selling methods: specialist producers

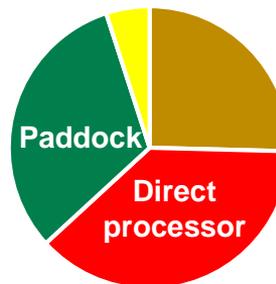
Australia
20,000 farms



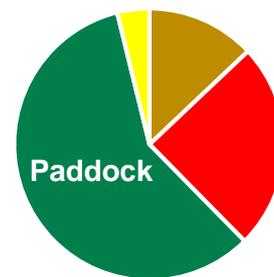
Small to
Medium Family
16,000 farms (85%)



Large Family
Farms
2,400 farms (12%)



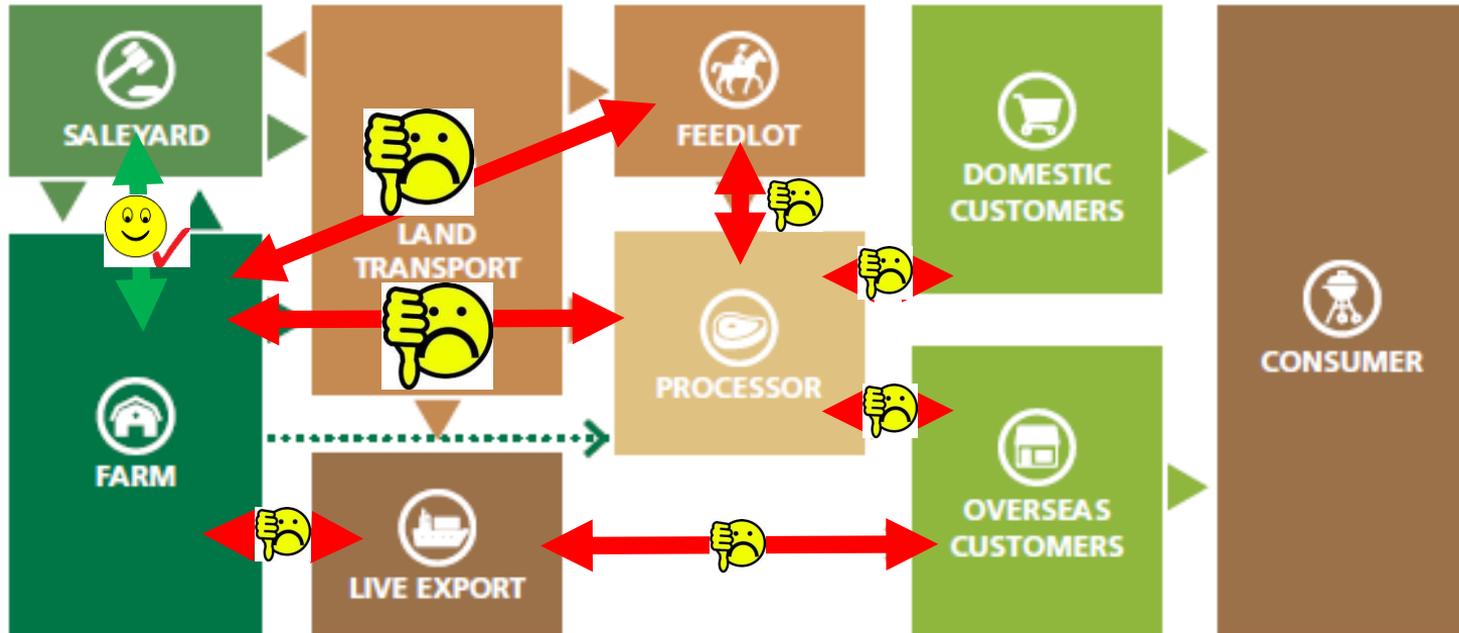
Corporates
500 farms (3%)



- Auction
- Direct to Processor (over-the-hook)
- Paddock sale
- Other (mainly electronic)

Source: ABARES AAGIS

Price transparency in the Australian beef supply chain



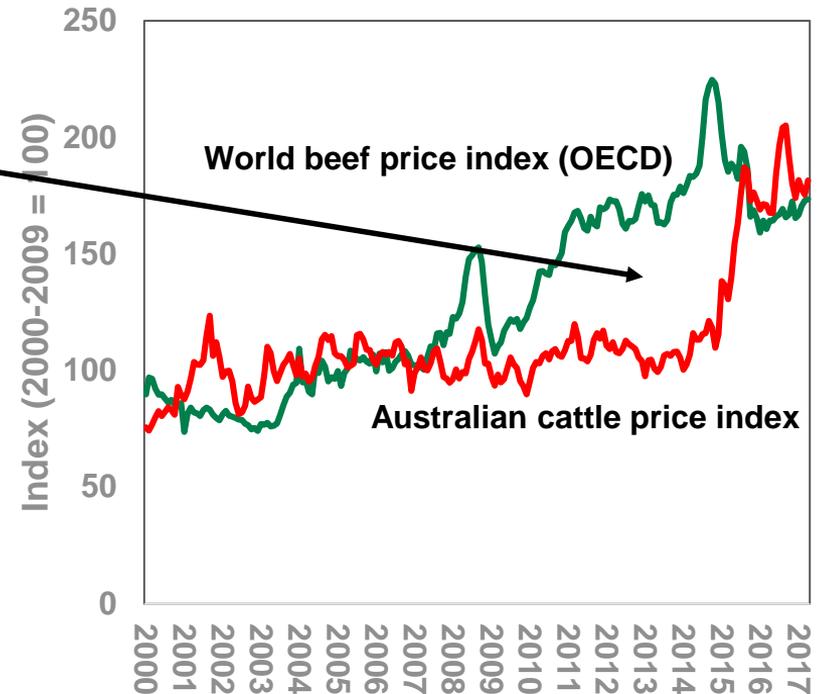
Recently the price fairness & transparency issues have come to a head

Why?

- Low cattle prices & failure to reflect surge in global beef prices from 2011 to 2015 – due to drought
- High and increased concentration in beef processing & retailing
- Falling farmer share of the retail dollar
- Behaviour of 2 dominant supermarkets towards suppliers of some agricultural products

Response

- Industry studies
- Government enquiries & recommendations for industry action



Source: FAO & MLA

Government cattle & beef market study recommendations

October 2016

- **Price grids** available & easier to compare
- Better & more standardised **price reporting on saleyard cattle, co-products & retail beef**
- **Report cattle sale prices direct-to-abattoir & to live exporter**
- **Objective carcase grading**
- Uniform and independent industry **cattle trading complaints and dispute resolution process**
- **Improved carcase feedback to producers**
- **Improved buyer conduct at auction markets** – improved buyer registration & licencing of agents, prominent terms of auction, record of buyer identities and shares etc.

Against mandatory price reporting at this time but:

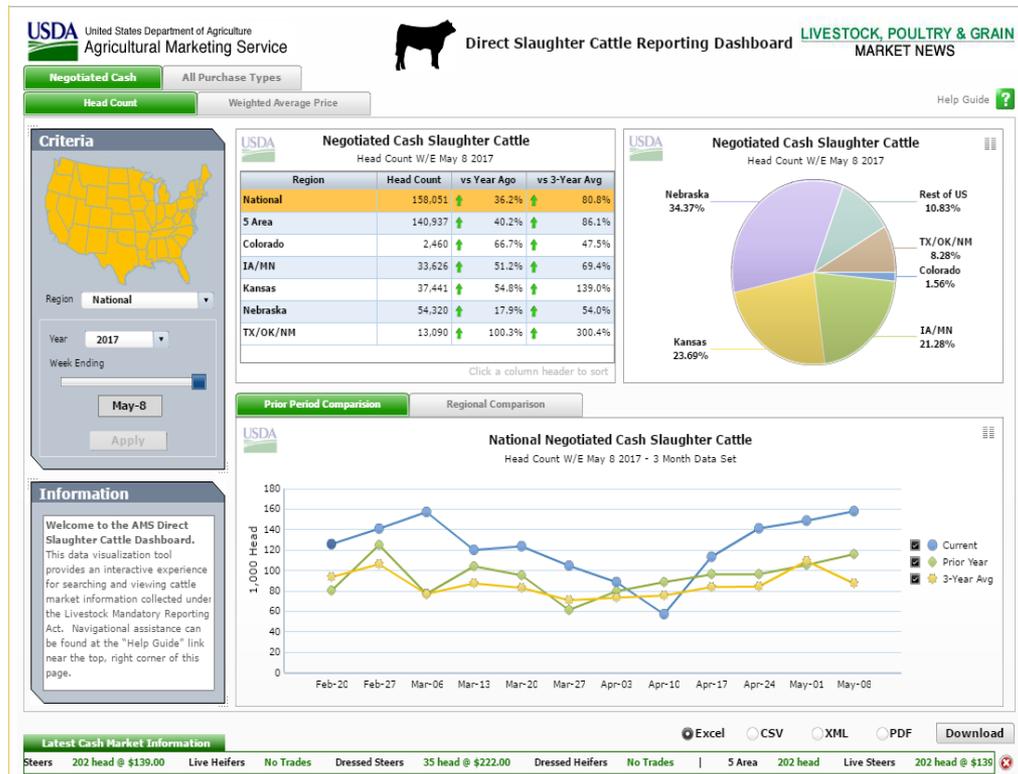
“Ministers may wish to consider alternative approaches if progress is not made.”

Other interesting observations from industry studies

- Price transparency is multifactorial - horizontal line of sight/vertical line of sight/confidence in payment systems
- Suggests a range of solutions are needed
- Reasonable amounts of cattle and beef price and market information already exists in Australia.
- Addressing gaps in information and providing improved analysis is likely to result in producer benefits which exceed costs
 - but on it own net benefits are reasonably small
- Substantial net benefits are only likely to arise if either:
 - It gives rise to an Australian futures market for cattle or beef
 - It results in a move towards value based selling/marketing

US experience: Mandatory Price Reporting

- Introduced in 2001
- In response to increased buyer concentration, fall in cash sales & general distrust
- Has largely settled producer discontent
- General high level of satisfaction with the system now:
 - Benefit in detecting trends, net sales value & deciding when & how to sell cattle
 - Reliable & accurate
 - Good & clear visuals & data presentation
 - Widely understood
 - Fast & 3 times/day data release
 - Extensive data detail
- Has brought prices in the 5 regional markets closer together – better price discovery & reduced instability



Source: https://mpr.datamart.ams.usda.gov/amddashboard/cattle/Cattle_Dashboard_Option_1.html

US experience: meat prices

“Best data in the world on wholesale value”

Cut out values have assisted producers to assess fair cattle price & price trends

USDA United States Department of Agriculture
Agricultural Marketing Service

Boxed Beef Reporting Dashboard

Conversion: 1 Load = 40,000 lbs

Weekly Boxed Beef - Weighted Average Price - Negotiated
W/E May 5, 2017

| # | IMPS Code / Description | Current | Year Ago | 3-YR Avg |
|---|----------------------------------|----------|----------|----------|
| 1 | CH 112A Rib Ribeye Bnls Heavy | \$836.12 | \$693.26 | \$791.30 |
| 2 | SE 112A Rib Ribeye Bnls Heavy | \$642.29 | \$681.93 | \$693.98 |
| 3 | CH 114A Chuck Shoulder Clod Trmd | \$231.35 | \$195.70 | \$226.65 |
| 4 | SE 114A Chuck Shoulder Clod Trmd | \$232.91 | \$192.67 | \$226.65 |
| 5 | CH 116A Chuck Roll Lxl Neck/off | \$275.00 | \$235.67 | \$270.29 |
| 6 | SE 116A Chuck Roll Lxl Neck/off | \$257.45 | \$227.71 | \$259.36 |
| 7 | CH 120 Brisket Deckle-off Bnls | \$221.45 | \$195.47 | \$238.54 |

Boxed Beef - Selected Item
CH 112A Rib Ribeye Bnls Heavy

CH 112A Lipon Heavy
This item includes the M. longissimus dorsi, M.spinalis dorsi, M. complexus, and M. multiridus dorsi muscles. The "top" is 2 inches maximum from the M. longissimus dorsi on both the chuck and loin ends.

Yield to Carcass: 3.5%

Boxed Beef - Prior Period Comparison
Weighted Average Price - W/E May 5, 2017 - CH 112A Rib Ribeye Bnls Heavy - 3 Month Data Set

Criteria: CH 112A Rib Ribeye Bnls Heavy

Year: 2017, Week Ending: May-5

Legend: Current (blue square), Prior Year (green diamond), 3-Year Avg (yellow star)

Download: Excel, CSV, XML, PDF

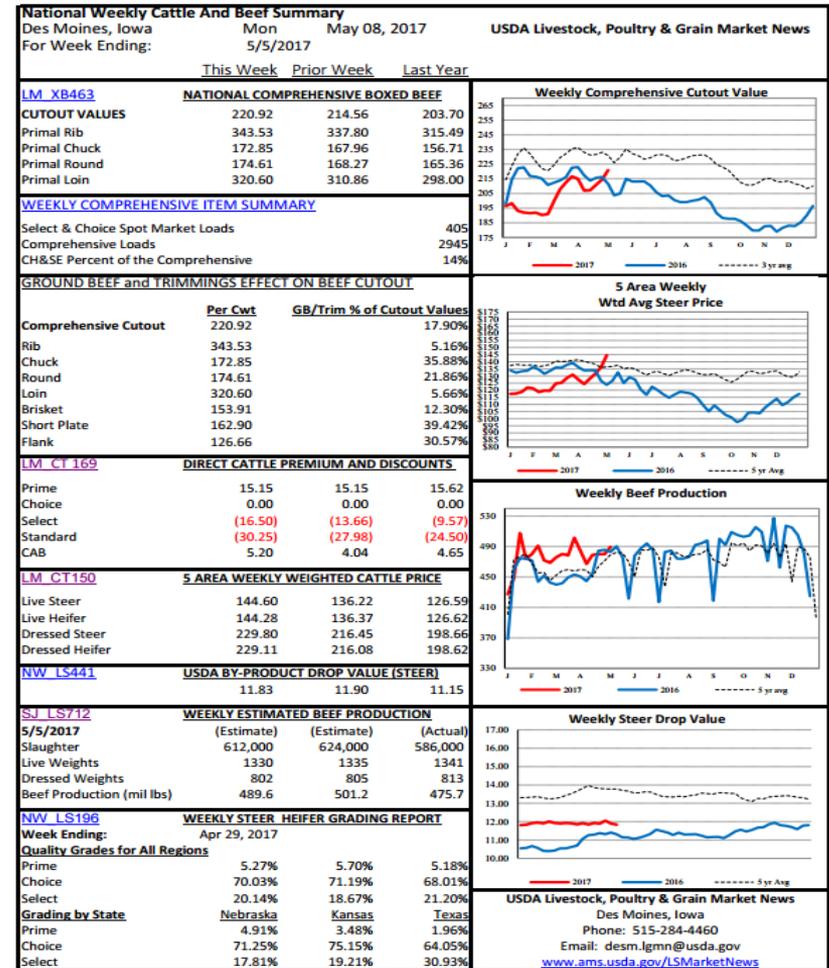
Daily Market Information: May 10 2017, National Numbers, Choice Cutout: \$244.58, Change from previous day: \$2.42, Select Cutout: \$224.62, Change from previous day: \$1.59, Total Choice: [icon]

Footer: LPGMN Home | AMS Home | LPGMN Site Map | Rule Making | USDA.gov
FOIA | Accessibility Statement | Privacy Policy | Non-Discrimination Statement | Information Quality | USA.gov | White House

https://mpr.datamart.ams.usda.gov/amstdashboard/boxed-beef/BoxedBeef_Dashboard_Option_1.html

US experience: packers & end users

- Satisfaction with integrity & data confidentiality
- Has proven that packers are not colluding on price
- Packers & end-users are now major users of both cattle & boxed beef reporting
- Generally supported by producers & packers
- Associated increase in Alternative Marketing Arrangements has assisted packers & feedlots operationally & in reducing risk & instability



<https://www.ams.usda.gov/mnreports/lswbfrtl.pdf>



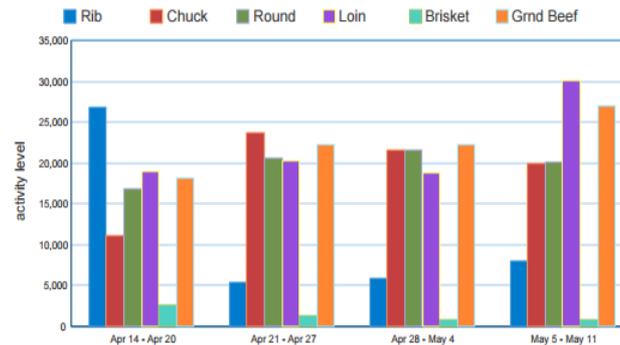
Extensive retail prices

| NATIONAL SUMMARY | | | | | | |
|---------------------------|-----------|---------|-----------|---------|-----------|---------|
| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
| Outlets | 29,200 | | 29,200 | | 29,200 | |
| Feature Rate (1/) | 92.9% | | 77.2% | | 71.1% | |
| Special Rate (2/) | 17.5% | | 13.3% | | 8.1% | |
| Activity Index (3/) | 113.670 | | 96.480 | | 88.530 | |
| | Stores | Wtd Avg | Stores | Wtd Avg | Stores | Wtd Avg |
| Bone-In Ribeye Roast | 90 | 9.25 | 20 | 9.57 | 550 | 7.30 |
| Bone-In Ribeye Steak | 3,820 | 6.57 | 2,710 | 8.53 | 3,340 | 7.54 |
| Bnls Ribeye Roast | 460 | 7.60 | 150 | 6.33 | 560 | 8.20 |
| Bnls Ribeye Steak | 3,650 | 10.10 | 3,000 | 9.21 | 3,800 | 8.71 |
| T-Bone Steak | 7,190 | 7.14 | 1,960 | 7.93 | 4,240 | 7.44 |
| Porterhouse Steak | 2,660 | 8.04 | 590 | 8.72 | 820 | 7.50 |
| Tenderloin | 820 | 12.28 | 900 | 13.09 | 2,710 | 12.51 |
| Filet Mignon | 1,480 | 13.60 | 700 | 13.80 | 2,520 | 13.60 |
| Loin, Bnls | 650 | 6.59 | 10 | 6.58 | 240 | 7.30 |
| Bone-In Strip Steak | 3,120 | 6.98 | 3,380 | 7.63 | 3,150 | 7.27 |
| Bnls New York Strip Steak | 3,490 | 8.19 | 4,240 | 9.71 | 4,840 | 8.67 |
| Beef Backlbs | 220 | 1.60 | 340 | 1.48 | 460 | 2.95 |
| Sirloin Roast | | | 30 | 8.31 | | |
| Sirloin Steak | 260 | 5.01 | 970 | 4.88 | 920 | 6.30 |
| Bnls Sirloin Roast | 60 | 8.99 | 20 | 3.49 | 10 | 7.99 |
| Bnls Sirloin Steak | 2,270 | 5.48 | 740 | 4.90 | 770 | 5.98 |
| Sirloin Tip Roast | 830 | 3.94 | 1,930 | 3.11 | 1,150 | 4.02 |
| Sirloin Tip Steak | 2,790 | 5.30 | 2,140 | 4.61 | 790 | 4.46 |
| Bnls Top Sirloin Roast | 50 | 4.94 | 40 | 5.16 | 40 | 4.33 |
| Bnls Top Sirloin Steak | 4,350 | 5.55 | 4,890 | 5.64 | 3,000 | 6.24 |
| Top Round Roast | 2,270 | 4.02 | 850 | 3.82 | 1,710 | 4.47 |
| Top Round Steak | 1,370 | 3.99 | 650 | 3.44 | 1,020 | 4.86 |
| Bottom Round Roast | 1,820 | 3.69 | 3,900 | 3.57 | 1,450 | 4.16 |
| Bottom Round Steak | 1,830 | 3.75 | 2,190 | 3.70 | 900 | 3.76 |
| Eye Of Round Roast | 2,420 | 3.98 | 1,760 | 3.90 | 1,300 | 4.03 |
| Eye Of Round Steak | 1,010 | 4.30 | 790 | 4.40 | 410 | 4.56 |
| Rump Roast | 1,220 | 3.72 | 2,380 | 3.61 | 910 | 3.47 |
| Rump Steak | 80 | 3.99 | 140 | 4.52 | | |
| Chuck/Shldr/Arm Roast | 7,990 | 3.84 | 8,990 | 3.70 | 5,880 | 4.30 |
| Chuck/Shldr/Arm Steak | 6,390 | 3.78 | 6,790 | 3.79 | 5,570 | 4.00 |
| London Broil | 3,400 | 4.23 | 5,150 | 4.11 | 5,400 | 4.49 |
| Brisket | 680 | 2.93 | 110 | 3.00 | 560 | 2.77 |
| Brisket, Flat | 10 | 3.49 | 50 | 4.62 | | |
| Corned Beef Brisket | 90 | 4.06 | 330 | 2.41 | 40 | 4.77 |
| Corned Beef Flat | 10 | 3.99 | 320 | 3.62 | 10 | 4.99 |
| Beef Short Ribs | 2,320 | 5.12 | 570 | 4.34 | 630 | 3.44 |
| Flat Iron Steak | 2,170 | 6.99 | 710 | 5.99 | 1,170 | 7.16 |
| Flank Steak | 880 | 7.79 | 1,040 | 8.14 | 420 | 9.30 |
| Minute/Cube Steaks | 3,290 | 4.92 | 2,480 | 4.76 | 2,570 | 4.99 |
| Stew Meat | 4,440 | 4.77 | 2,950 | 4.62 | 3,290 | 4.77 |
| Ground Round | 1,640 | 3.83 | 980 | 4.05 | 1,120 | 4.44 |
| Ground Chuck | 2,380 | 2.98 | 2,420 | 3.18 | 2,080 | 3.23 |
| Ground Sirloin | 550 | 4.27 | 1,690 | 4.02 | 1,780 | 5.62 |
| Ground Beef 90% Or More | 4,490 | 4.83 | 3,230 | 4.41 | 2,740 | 4.94 |
| Ground Beef 80-89% | 10,580 | 2.90 | 5,820 | 3.18 | 7,840 | 3.29 |
| Ground Beef 70-79% | 1,570 | 2.30 | 3,700 | 2.24 | 1,790 | 2.61 |
| Beef Patties | 5,750 | 4.23 | 4,420 | 3.93 | 1,840 | 4.35 |
| Tri-Tip | 1,770 | 5.69 | 2,630 | 4.87 | 1,530 | 5.70 |
| Skirt Steak | 2,890 | 6.99 | 680 | 9.23 | 960 | 7.16 |

This week in Beef Retail.....

This week in beef retail, the Feature Rate charted a 15.7 percent increase, the Special Rate posted a 30.8 percent increase, and the Activity Index saw a 17.8 percent increase. Ground beef products saw a significant increase in prevalence as retailers are heading into the heart of the grilling season and consumers are preparing for Memorial Day later this month. Rib, Loin, and Ground Beef saw increase in ad space while Chuck, Round, and Brisket saw less space. The cattle slaughter under federal inspection is 1.9 percent lower when compared to last week.

Activity Index: 4 Week Comparison



Explanatory Notes

All report information gathered from publicly available sources including store circulars, newspaper ads, and retailer websites.
 1/ FEATURE RATE: the amount of sampled stores advertising any reported beef item during the current week, expressed as a percentage of the total sample. 2/ SPECIAL RATE: the percentage of sampled stores with a no-price promotion (e.g., buy 1, get 1 free etc.). 3/ ACTIVITY INDEX: a measure of the absolute frequency of feature activity equal to the total number of stores for each advertised beef item (e.g., a retailer with 100 outlets featuring 3 beef items has an activity index of 300). 4/ STORES/AVG: the number of advertising outlets and the weighted average price weighted by the respective number of outlets. 5/ BRANDED: includes any advertised beef cuts marketed under a corporate trademark, or under one of Meat Grading & Certification Branch's Certified Beef programs. 6/ NON-LABELED/OTHER: Beef cuts advertised without a USDA Quality Grade.

USDA-MGC Certified Programs List: <http://www.ams.usda.gov/AMSV1.0/BeefPrograms>

GIPSA has also been vital

Grain Inspection, Packers & Stockyards Administration - USDA



Main role is to supervise US meat packers and stockyards particularly in relation to fair dealing with livestock producers

- Oversight activities (monitoring, reviews and investigations) since 1994
- Major enforcement areas are payment protection, unfair, deceptive, and fraudulent practices, and competition
- Promotes fair business practices and competitive environments to market livestock, meat and poultry
- Guards against deceptive and fraudulent trade practices
- Fosters fair competition and provides payment protection

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Administration
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Grain Inspection,
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Prompt Payment for Livestock Purchases
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MPR undermining itself

- The volume of formula pricing, forward contracting and grid purchases has increased rapidly under MPR
- US agricultural economists continue to promote AMA's as the benefits exceed costs
- Alternative Marketing Arrangements in the Beef Industry Report (November 2007):
 - Helped producers & packers to manage their operations more efficiently, reduced risk and improved beef quality
 - Feedlots identified cost savings of \$1 to \$17/head from improved capacity utilization, more standardized feeding programs and reduced financial commitments required to keep the feedlot at capacity
 - Packers identified cost savings of \$0.40/head head in reduced procurement cost
- USDA reports still use the cash market results as the benchmark for reporting and this is a prime part of the Dashboard reporting system.
- USDA frequently do not have enough cash or negotiated prices to report a market at the present time

Price transparency: survey conclusions

- An issue of great concern to cattle producers in most countries
- Especially in Oceania, Europe, South America & South Africa – even in Canada

If you do not know what other cattle are selling for and what the beef is selling for how do you know you are getting a fair price?

- Price transparency has lots of quality, cost & risk minimisation advantages
- Price transparency promotes supply chain trust, cooperation & alternative marketing arrangements
- Where there are active derivative markets (e.g. futures) there tends to be less concern about transparency & fairness – outside of US & Brazil few countries have this
- If the US experience is a guide mandatory cattle & beef price reporting can overcome price transparency and fairness issues

Questions?

