



# *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

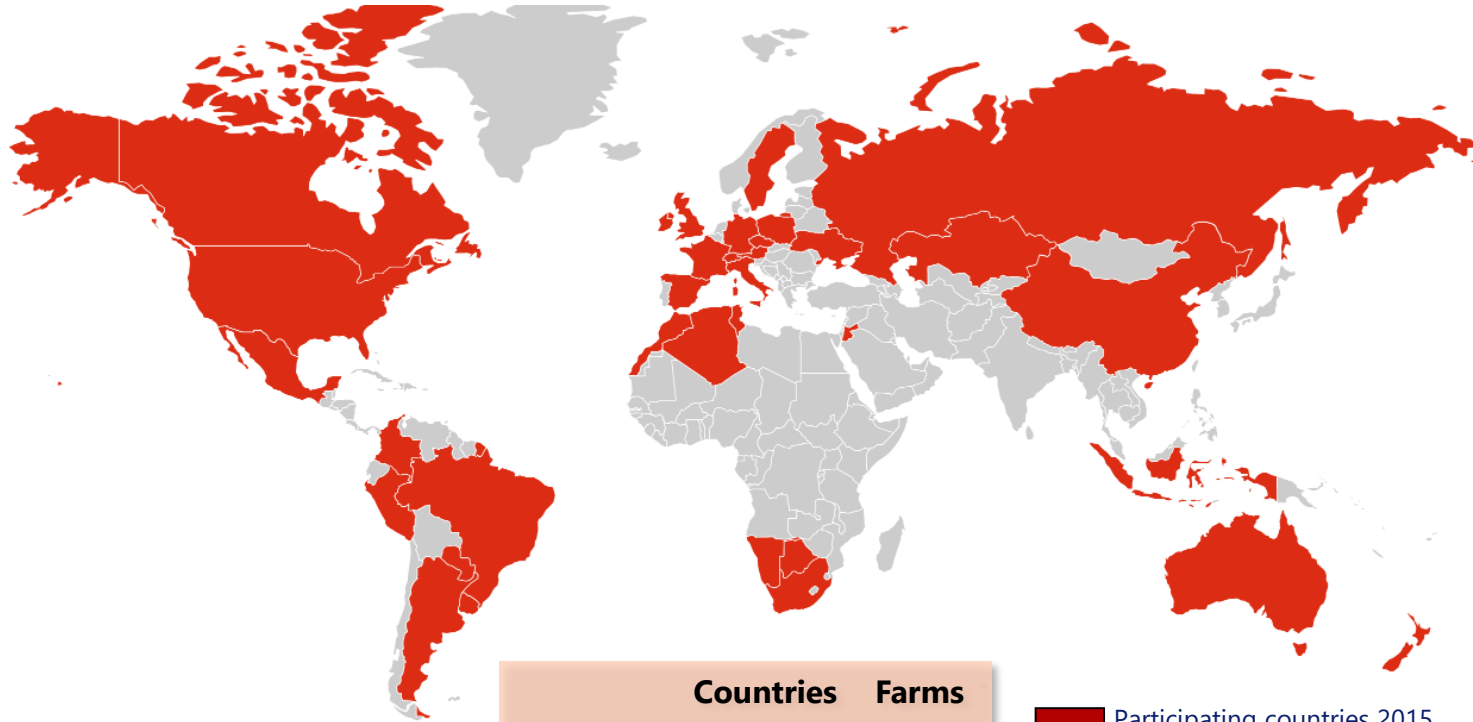
An issue of concern to beef producers in most countries

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!

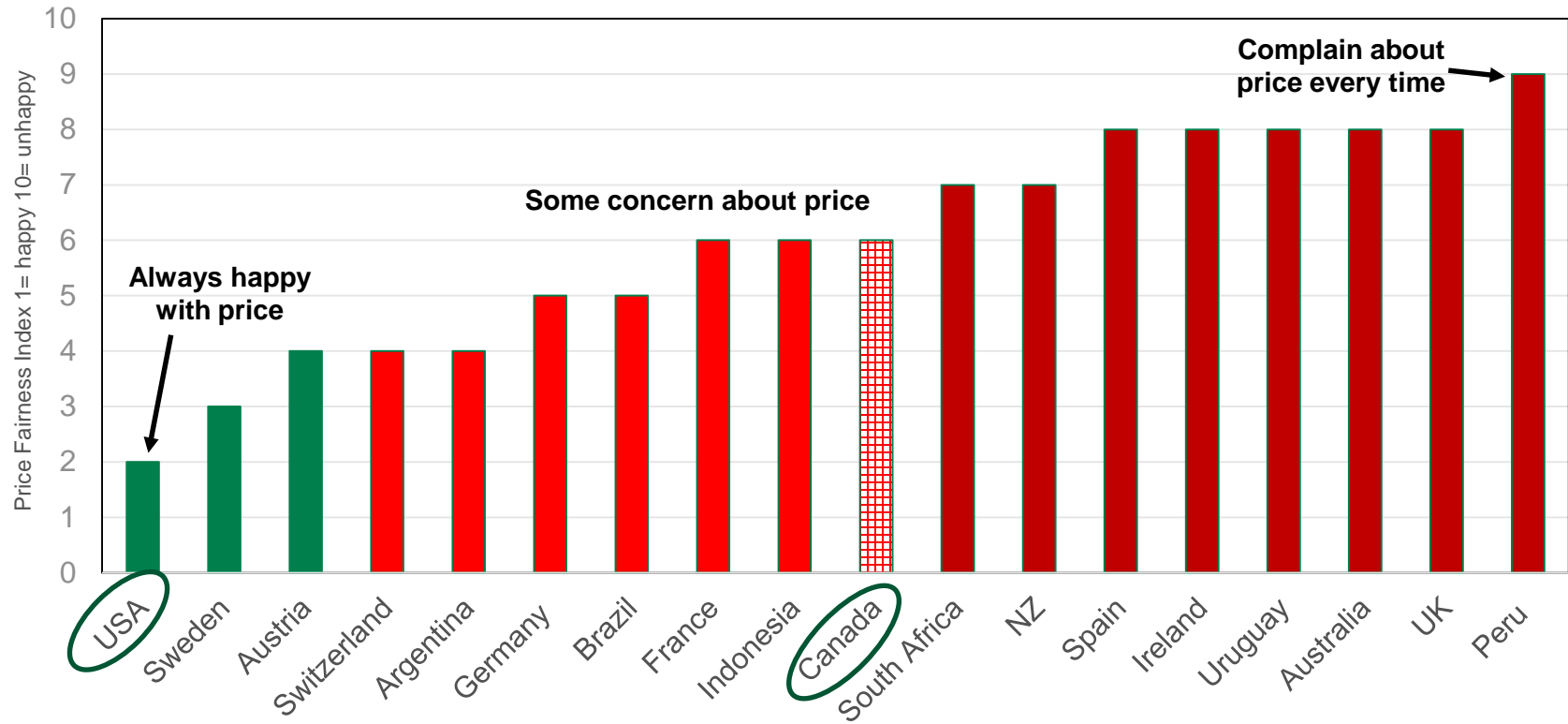
# Surveyed the *agri benchmark* network



	Countries	Farms
Beef farms	32	160

- Participating countries 2015
- Contacts for further growth

# Cattle farmers receive a fair price from abattoirs?\*



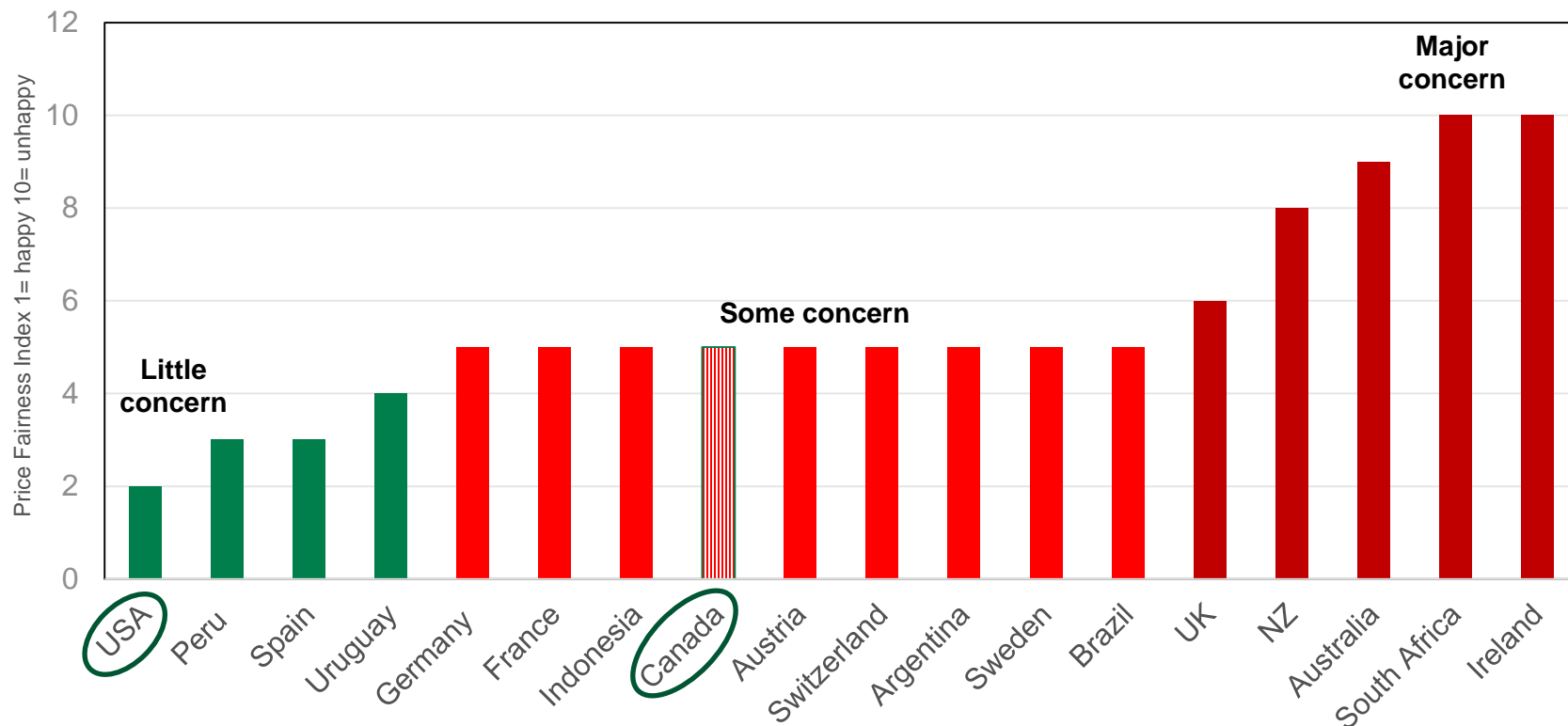
\*Over the past two (2) years, how often would a cattle farmer have felt they received a fair price from abattoirs?

Source: Survey of agri benchmark members

# 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?

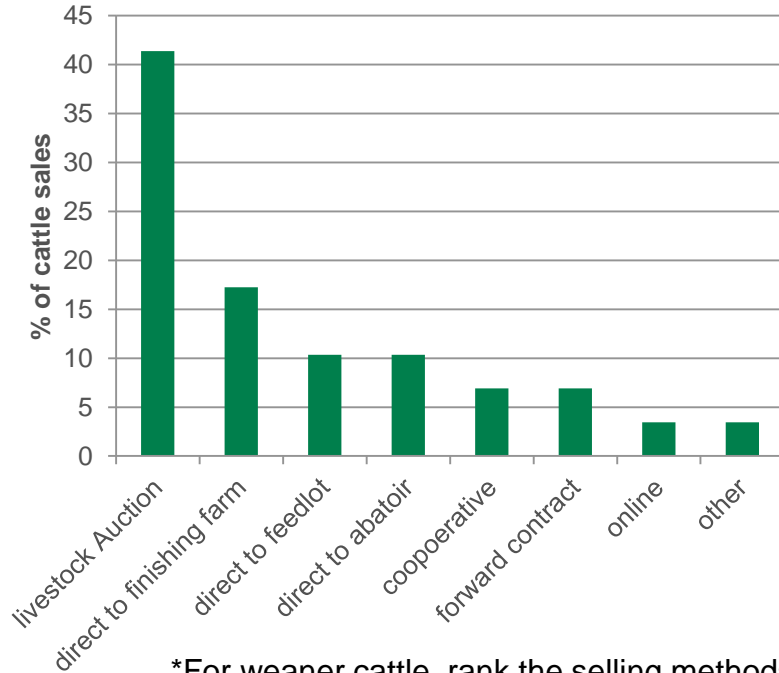
Price transparency along the supply chain can:

- 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

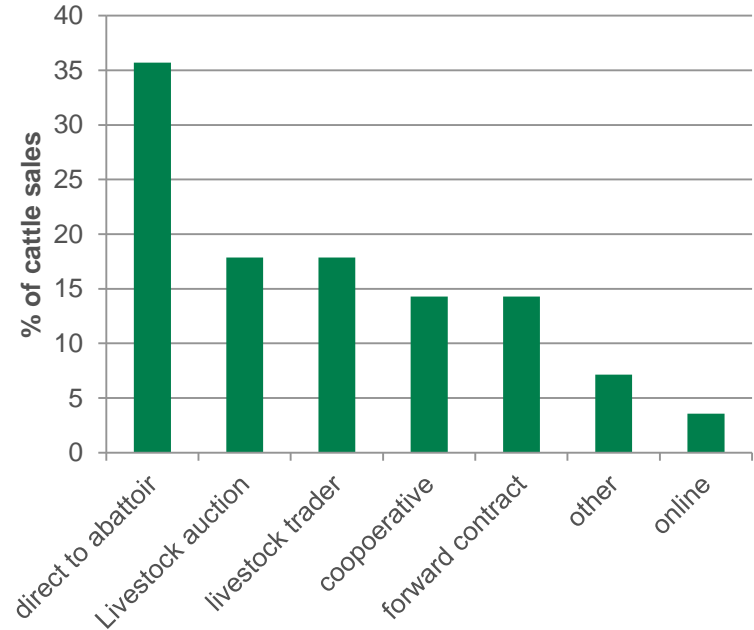


# Most frequently used selling methods worldwide\*

## 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

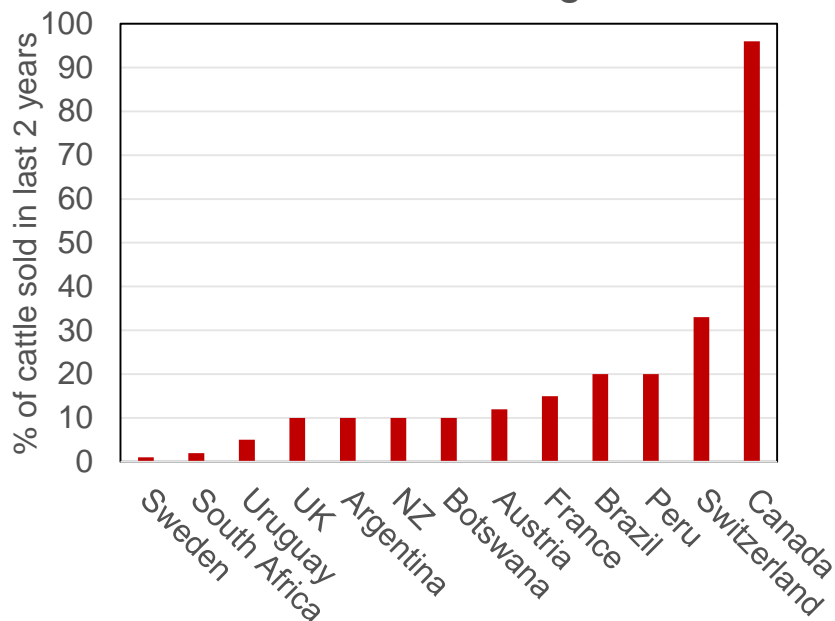
### Common

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

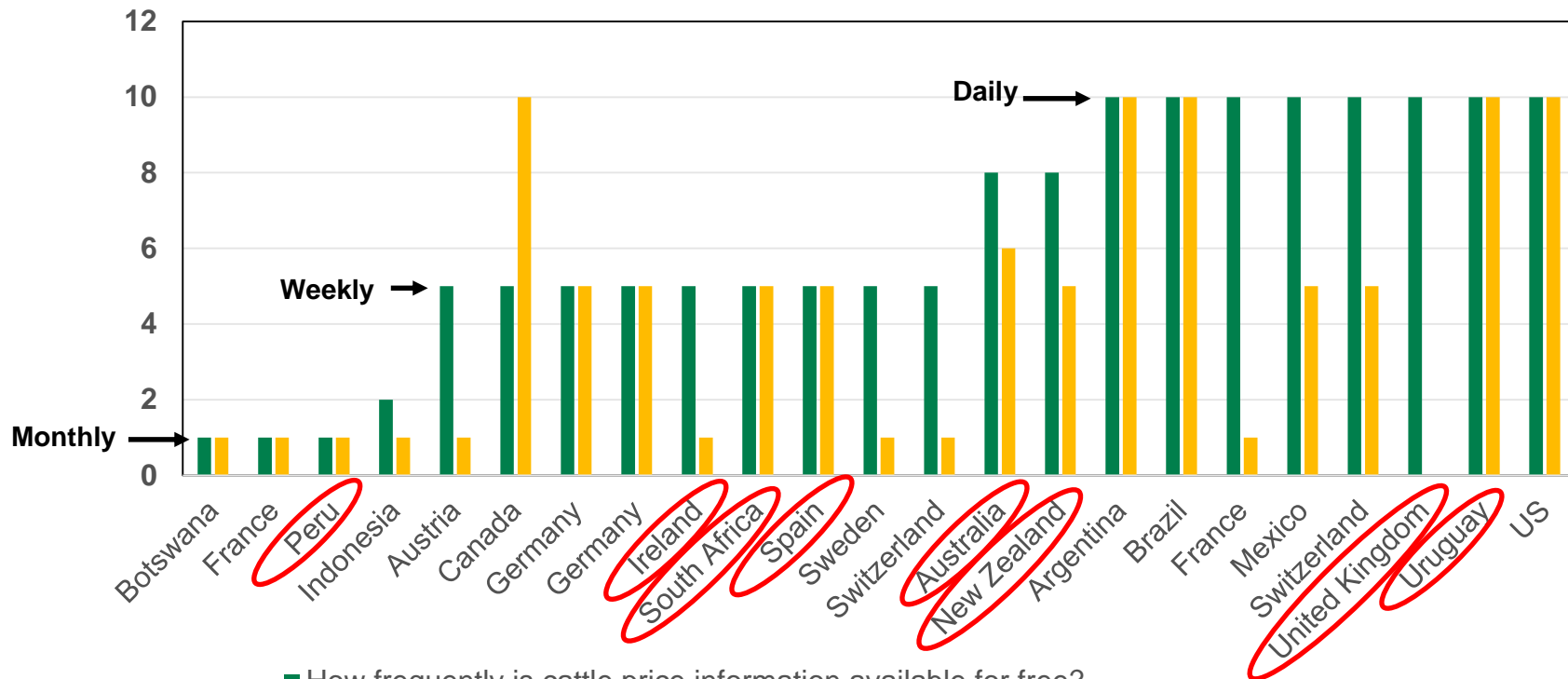
### A little

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

Proportion of cattle sold using risk management



# Frequency of cattle price information



■ How frequently is cattle price information available for free?

■ How frequently is commercial (paid for) cattle price information available?

Source: Survey of agri benchmark network members

# Cattle & beef price transparency in Australia



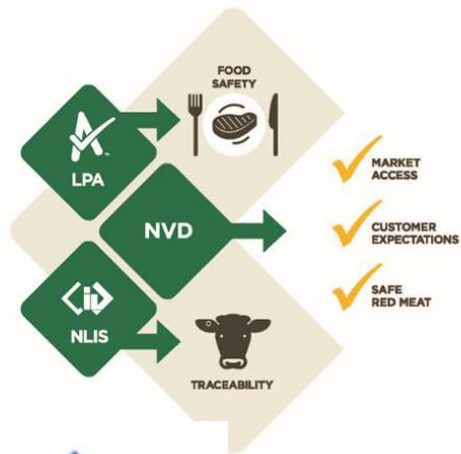


# Australia prides itself as being at the forefront of sophisticated product quality & integrity systems with electronic cattle ID, MSA

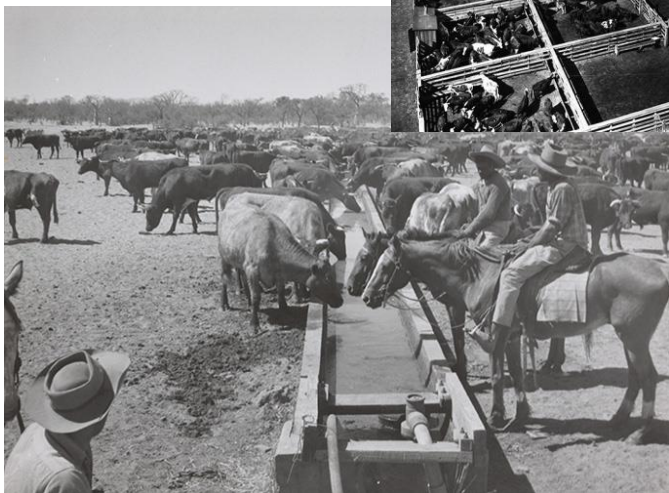
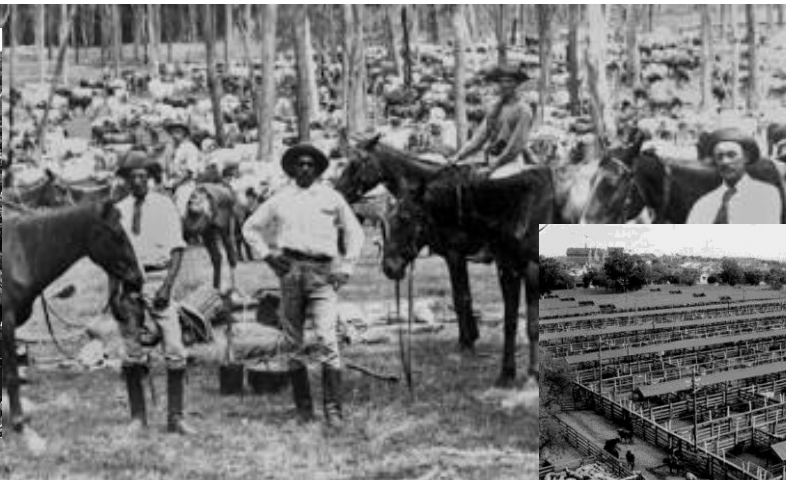
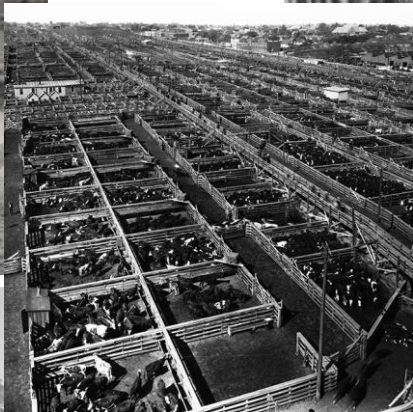
## Grassfed cattle levy allocation



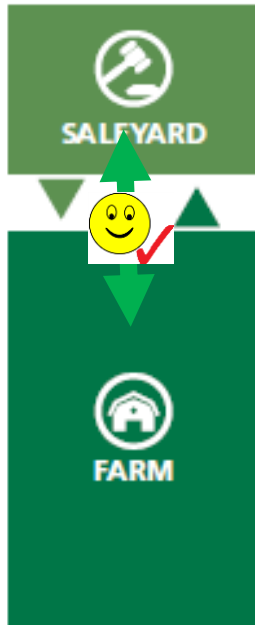
**TOTAL LEVY \$5**  
Per head, per transaction



# 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



Ben Thomas  
Manager, Market Information and NLRS



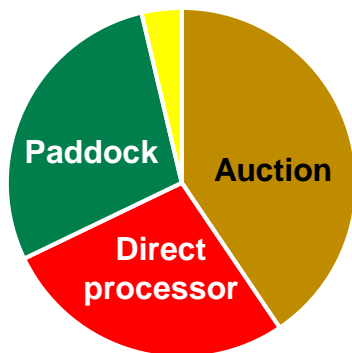
Cattle Reports	
Market	Sale Day
<b>NSW</b>	
Armidale	Thursday
Casino	Wednesday
CLTX Carcoar Prime	Tuesday
CTLX Carcoar Store	Friday*
Dubbo Prime	Thursday
Dubbo Store	Friday
Finley	Friday
Forbes	Monday
Gunnedah	Tuesday
IRLX Inverell	Tuesday
Moss Vale store	Friday*
Scone	Tuesday
Singleton	Wednesday
TRLX Tamworth	Monday
Wagga	Monday
<b>Victoria</b>	
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
<b>Queensland</b>	
CLX Gracemere	Friday
Dalby	Wednesday
Emerald	Thursday
Roma Prime	Thursday
Roma Store	Tuesday
Toowoomba	Monday
Warwick	Tuesday
<b>South Australia</b>	
Mount Compass	Wednesday
Mount Gambier	Wednesday
Naracoorte	Tuesday
SA Livestock Exchange	Monday
<b>Tasmania</b>	
Northern Tas Saleyards	Tuesday
<b>Western Australia</b>	
Boyanup Prime	Tuesday
Boyanup Store	Friday*
Mount Barker	Thursday
Muchea	Monday

\*Monthly \*\*Every 2nd Friday of month

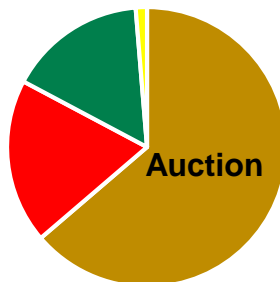


# Beef cattle selling methods: specialist producers

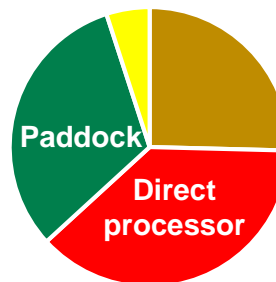
Australia  
20,000 farms



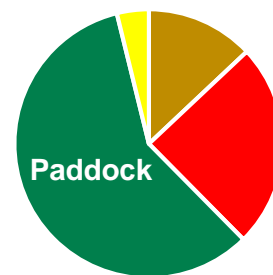
Small to  
Medium Family  
16,000 farms (85%)



Large Family  
Farms  
2,400 farms (12%)



Corporates  
500 farms (3%)

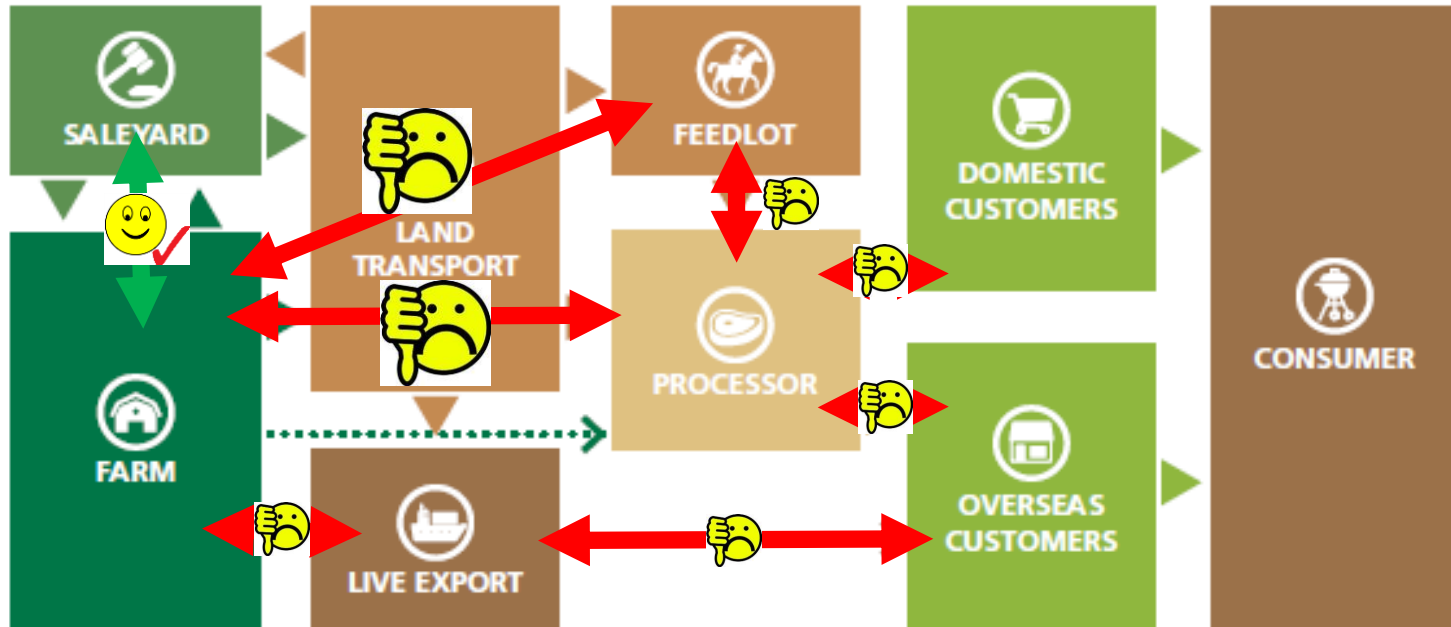


- Auction
- Direct to Processor (over-the-hook)
- Paddock sale
- Other (mainly electronic)

Source: ABARES AAGIS



# Price transparency in the Australian beef supply chain



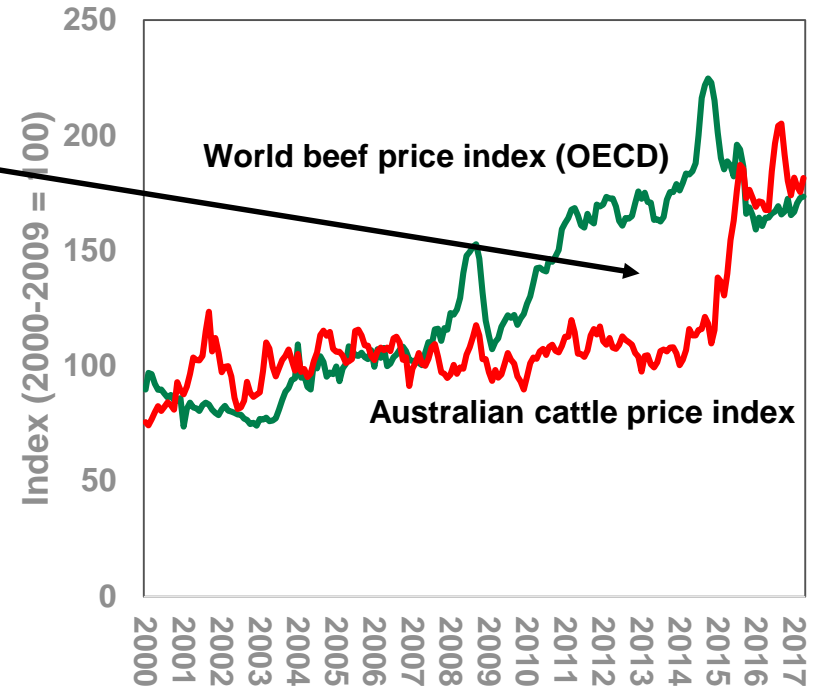
# Recently the price fairness & transparency issues have come to a head

## 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.”***

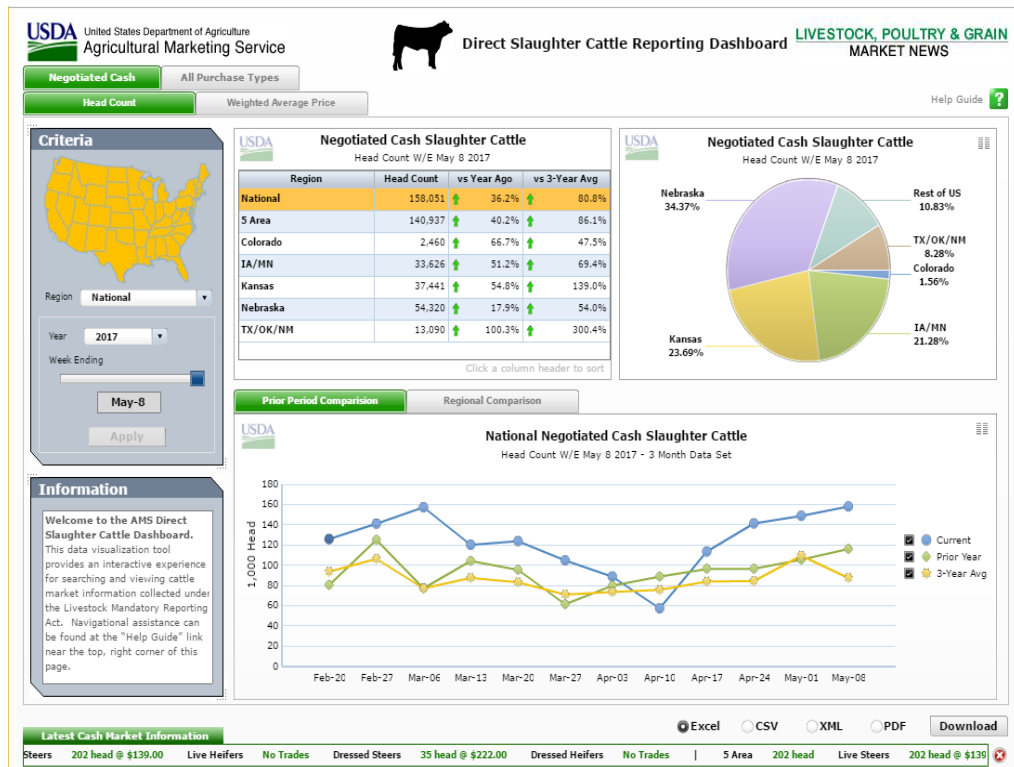
# Other interesting observations from industry studies

- 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

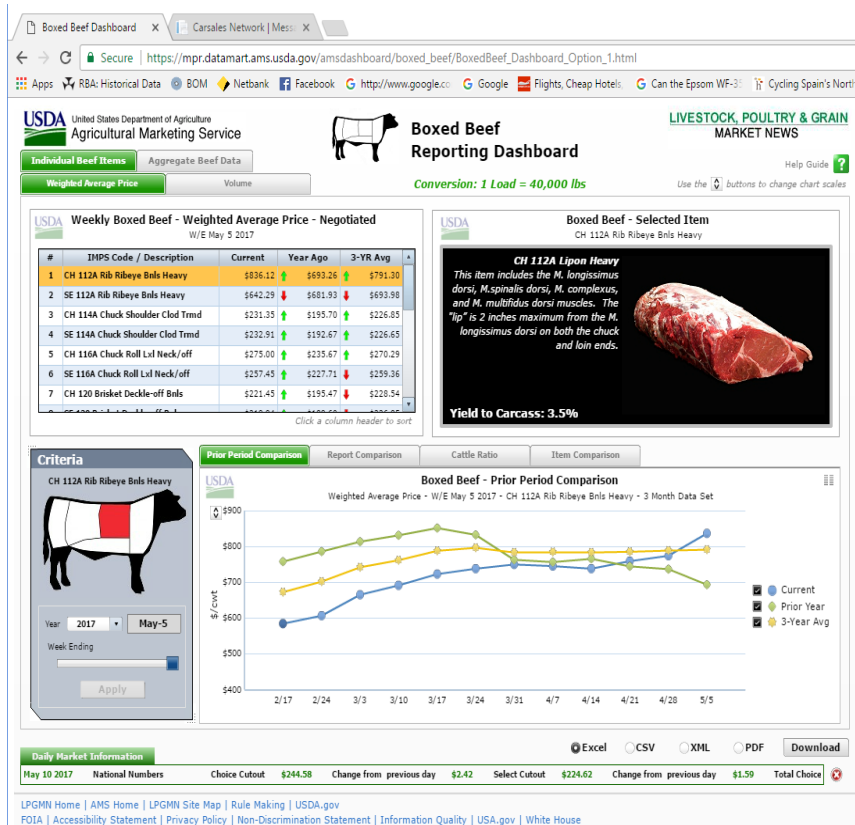


Source: [https://mpr.datamart.ams.usda.gov/amddashboard/cattle/Cattle\\_Dashboard\\_Option\\_1.html](https://mpr.datamart.ams.usda.gov/amddashboard/cattle/Cattle_Dashboard_Option_1.html)

# US experience: meat prices

*“Best data in the world on wholesale value”*

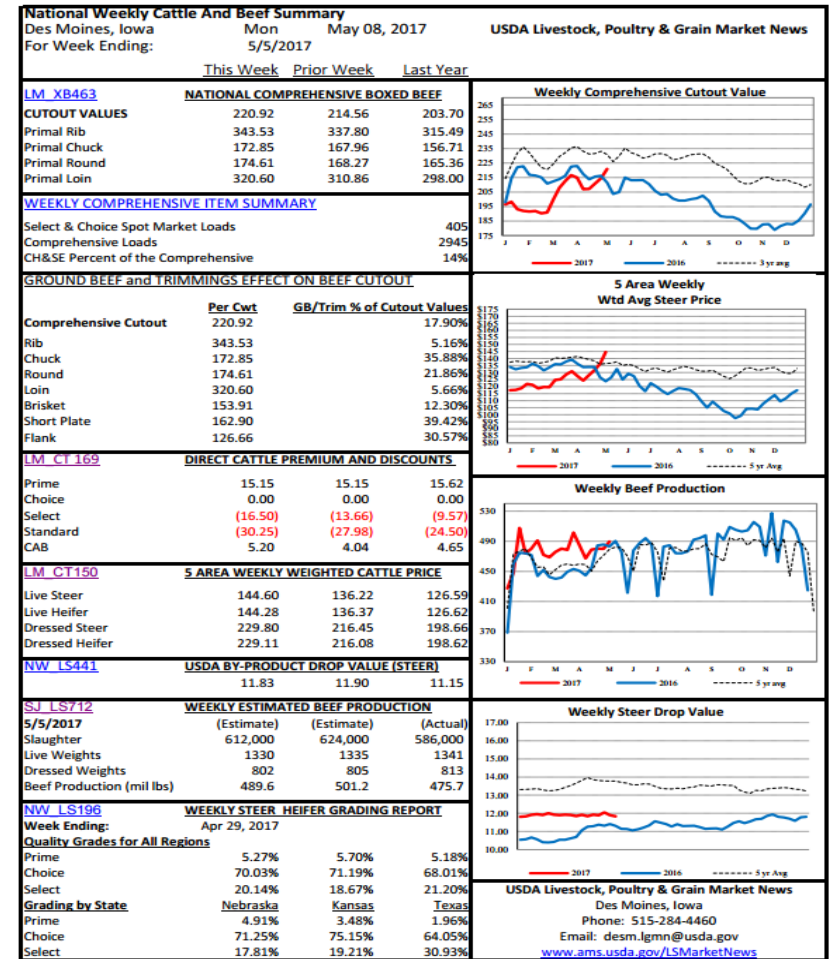
Cut out values have assisted producers to  
assess fair cattle price & price trends



[https://mpr.datamart.ams.usda.gov/amstdashboard/boxed-beef/BoxedBeef\\_Dashboard\\_Option\\_1.html](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>



# National Retail Report - Beef

Advertised Prices for Beef at Major Retail Supermarket Outlets ending during the period of 05/05 thru 05/11  
(prices in dollars per pound)

Fri, May 5, 2017

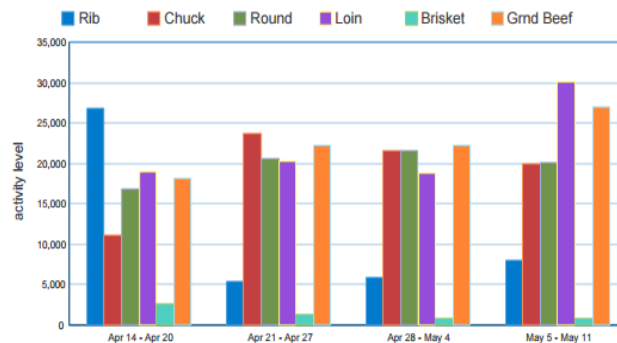
# Extensive retail prices

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	3,620	8.57	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 Back ribs	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	600	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	690	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	4.06	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-BRANDED/OTHER: Beef cuts advertised without a USDA Quality Grade.

USDA-MGC Certified Programs List: <http://www.ams.usda.gov/AMSY1.0/BeefPrograms>

Source: USDA Agricultural Marketing Service, Livestock, Poultry, and Grain Market News -- (816) 676-7000 website: <https://www.marketnews.usda.gov/mnp/s-home>  
Click here to also view the 'National Retail Report - Local and Organic' [http://www.ams.usda.gov/mnreports/wa\\_lo100.txt](http://www.ams.usda.gov/mnreports/wa_lo100.txt)

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



# 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





# 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?

