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Agricultural Outlook Forum

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WHAT MARKET INFORMATION IS NEEDED IN HOG MARKETING?

Ron Plain  
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# **What Market Information is Needed in Hog Marketing?**

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# Mandatory Price Reporting

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Mandatory packer reports have provided the greatest increase in hog marketing information in decades.



# MPR Additional Hog Info

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- MPR for hog packers have enhanced the confidence level in existing data series
  - Huge sample size ~94% of barrows & gilts
  - More complete price ranges

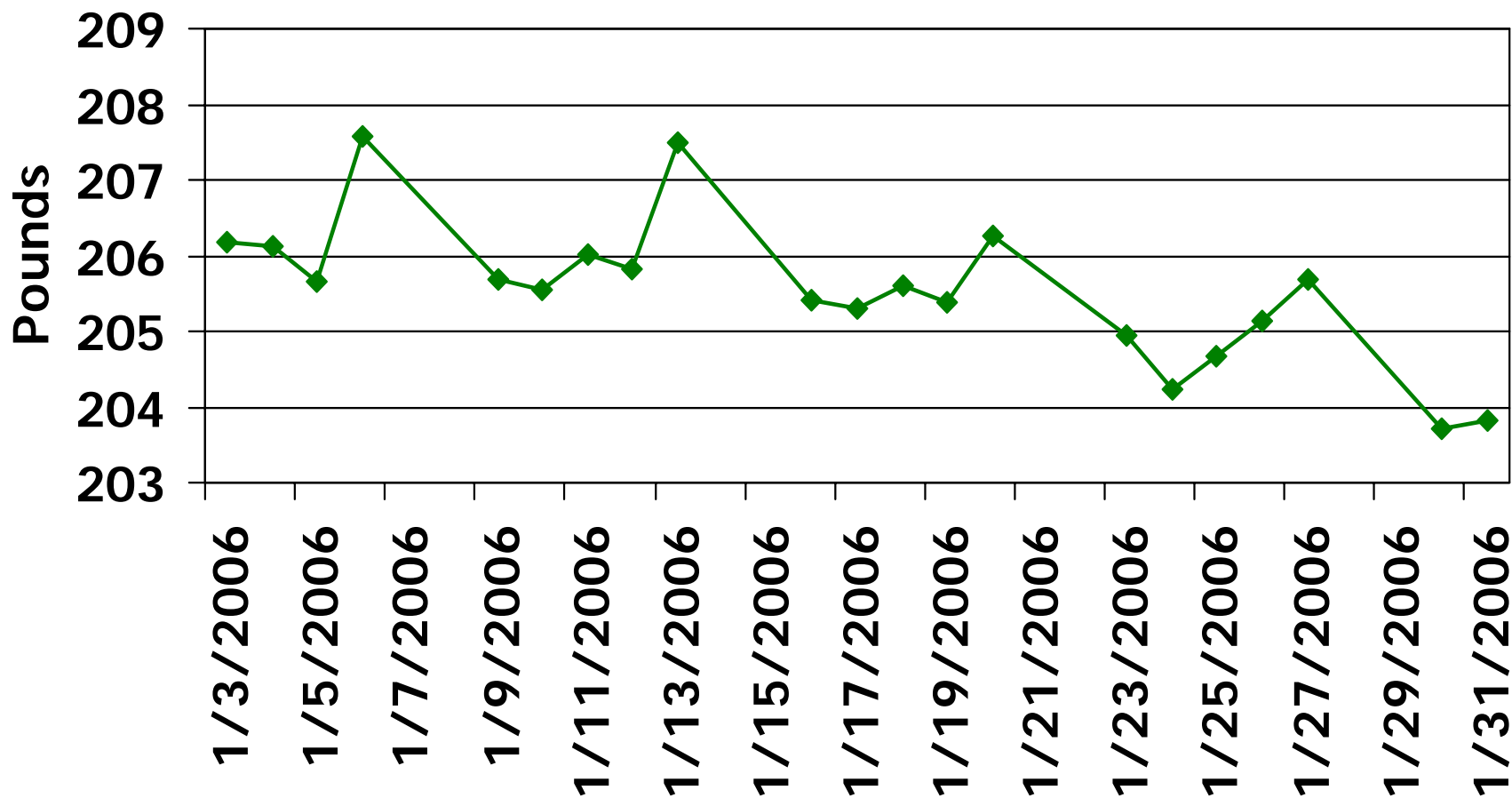


# MPR Additional Hog Info

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- MPR for hog packers have given the industry much timely new information
  - **Daily carcass weight data**

# B&G Carcass Weights, January 2006



Source: AMS Prior Day Slaughter Report



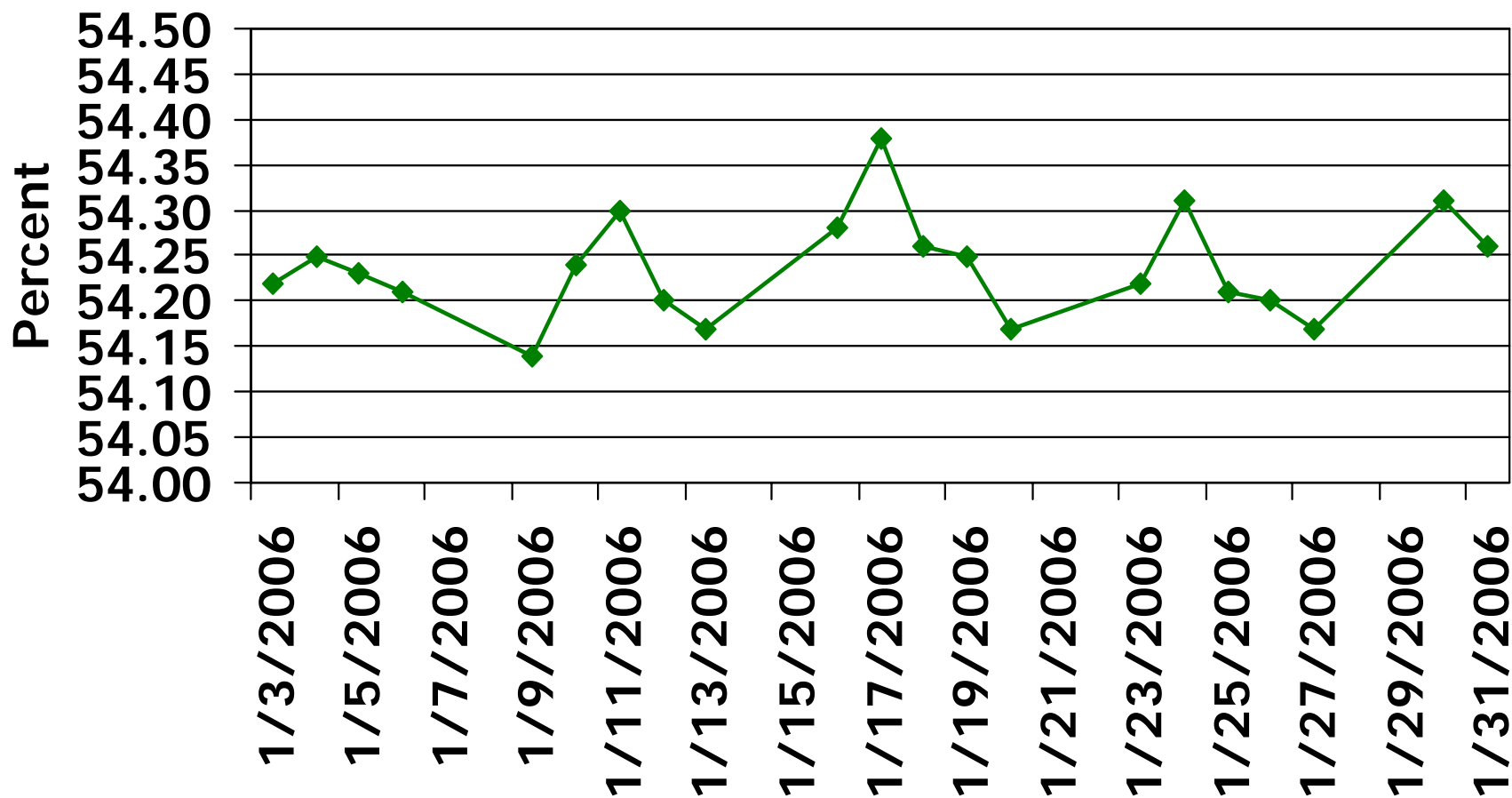
# MPR Additional Hog Info

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- MPR for hog packers have given the industry much timely new information
  - Daily carcass weight data
  - **Percent lean data, backfat & loin depth**



# B&G Percent Lean, January 2006



Source: AMS Prior Day Slaughter Report

# B&G Percent Lean, 2002-05

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	<u>-----percent lean-----</u>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Negotiated hogs	53.20	53.42	53.37	53.79
S/P Market formula	54.14	54.36	54.39	54.57
Other market formula	53.69	53.85	54.05	54.24
Other purchase agreement	54.27	54.08	53.97	54.04
Packer sold	52.70	52.34	53.80	54.06
Packer owned	53.49	53.55	53.19	53.28

Source: USDA/AMS Prior Day Slaughter Reports

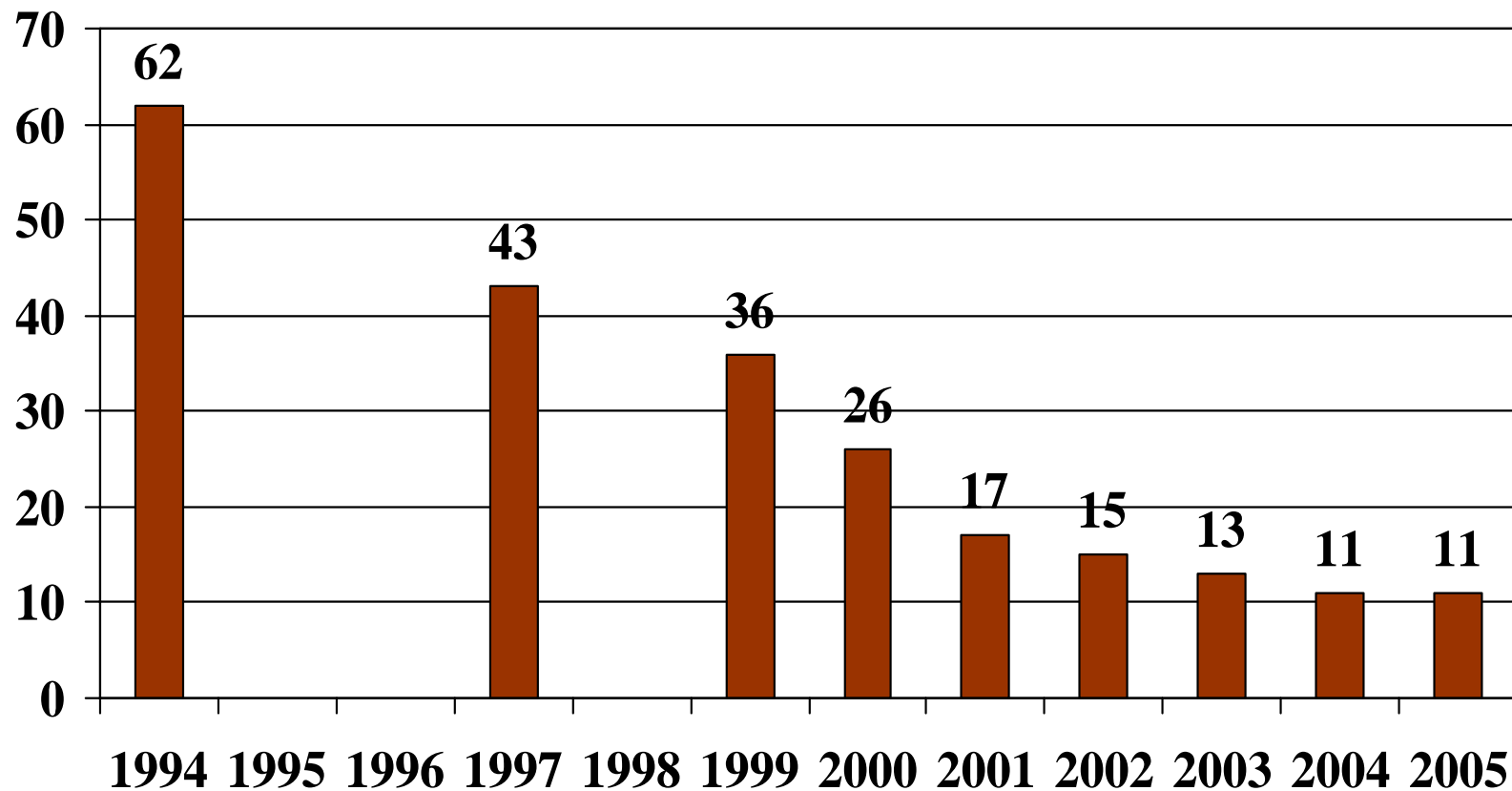


# MPR Additional Hog Info

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- MPR for hog packers have given the industry much timely new information
  - Daily carcass weight data
  - Percent lean data, backfat & loin depth
  - **Reports by method of purchase**

# Percent of B&G Sold on the Spot Market



# B&G Purchases By Method

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	<u>Percent of purchases</u>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Negotiated hogs	14.7	13.3	11.0	11.0
S/P Market formula	43.4	39.2	40.5	40.8
Other market formula	9.3	7.6	9.2	8.9
Other purchase agreement	13.0	19.0	18.0	16.4
Packer sold	2.2	2.1	2.1	2.5
Packer owned	17.4	18.8	19.2	20.5

Source: USDA/AMS Prior Day Slaughter Reports



# MPR Additional Hog Info

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- MPR for hog packers have given the industry much timely new information
  - Daily carcass weight data
  - Percent lean data, backfat & loin depth
  - Reports by sales method
  - **Sort loss data**

## Sort Loss 2002 – 2005 \$/cwt carcass

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	2002	2003	2004	2005
Negotiated hogs	0.91	1.18	1.29	1.56
S/P market formula	0.97	1.15	1.41	1.55
Other market formula	0.74	0.92	1.23	1.45
Other purchase agreement	0.96	0.94	0.99	1.01
Packer sold	1.48	0.80	1.11	1.44

Source: USDA/AMS Prior Day Slaughter Reports



# MPR Additional Hog Info

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- MPR for hog packers have given the industry much timely new information
  - Daily carcass weight data
  - Percent lean data, backfat & loin depth
  - Reports by sales method
  - Sort loss data
  - **Base vs net price**



## Base and Net B&G Prices - 2003

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	<u>Base</u>	<u>-- Net Price --</u>	
	\$/cwt	\$/cwt	Std Dev
Negotiated hogs	52.00	53.52	6.2
S/P Market formula	51.75	54.65	6.0
Other market formula	53.00	56.04	5.3
Other purchase agreement	55.35	57.20	3.2
Packer sold	54.44	57.40	6.2

Source: USDA/AMS Prior Day Slaughter Reports

## Base and Net B&G Prices - 2004

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	<u>Base</u>	<u>-- Net Price --</u>	
	\$/cwt	\$/cwt	Std Dev
Negotiated hogs	69.79	71.23	8.3
S/P Market formula	69.15	71.83	8.2
Other market formula	59.40	62.48	4.2
Other purchase agreement	66.99	68.71	5.6
Packer sold	71.75	74.47	8.2

Source: USDA/AMS Prior Day Slaughter Reports

## Base and Net B&G Prices - 2005

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	<u>Base</u>	<u>-- Net Price --</u>	
	\$/cwt	\$/cwt	Std Dev
Negotiated hogs	66.81	68.02	4.8
S/P Market formula	65.98	68.41	4.5
Other market formula	62.63	65.43	5.2
Other purchase agreement	64.43	65.80	3.4
Packer sold	69.01	71.52	4.9

Source: USDA/AMS Prior Day Slaughter Reports



## What else can USDA do with MPR data?

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- AMS needs to summarize MPR data by:
  - Week
  - Month
  - Year



# What MPR Doesn't Provide

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- Plant specific information



# What Hog Producers Need

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- Info to help decide which plant to deliver to
  - Relative shrink & cutout
  - Sort loss and premiums
  - Spread between base price & net price
- How to get a higher net price
  - What changes in genetics or management will enhance the net price



# What Hog Producers Need

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- Better pork cutout data
  - Logical alternative to hog price
  - 1/3/06 update helped
  - Price sample size is way too small
  - Mandatory wholesale price reporting?



# What Hog Producers Want

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- Information on what other producers are receiving
  - By plant location
  - By farm size





# MPR Issues

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- Transparency
- Confidentiality
  - Packers read the reports too
- Manipulation
  - Why is the PM price higher than the AM price?
- Wholesale pork prices

**Questions?**

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