

Reporting, Not Publishing, Is Mandatory

BY STEVE SUTHER

April saw the beginning of mandatory price reporting (MPR) at the packer level for the livestock and meat trade. The Livestock Mandatory Reporting Act of 1999 took more than a year to enact after its signing that fall, and its debut was postponed twice.

The new U.S. Department of Agriculture (USDA) system is supposed to open a window on previously secret dealings. In April, however, many daily scheduled price reports were not published due to confidentiality guidelines. Those with at least some information featured sparse rows of figures amid a sea of blanks. For example, the “National Daily Direct Slaughter Cattle — Negotiated Purchases” report of April 26 contained 60 information cells and 540 blank cells.

Of course this is all new, so it will take time to get up to speed, USDA Livestock and Grain Market News Chief John Van

Dyke says. “Over time, those concerns will go away,” he says.

Agricultural economists hope so. Ted Schroeder of Kansas State University says many in his profession had concerns over the trend toward less and less publicly available fed-cattle data under the former voluntary system. “It had gotten to the point we were only getting two days with a price quote, often only one day, and a couple of times nothing all week for a region. We were getting down to only getting quotes on about 30% of the days.”

Van Dyke knows the problem well: “As we evolve from [cash] negotiated to grid markets and the like, the base of information they deal with has continued to deteriorate. The intent of the [MPR] law was to improve price transparency, to get information on those contracts and formulas,” he says. “And that’s what we’re doing at this time.”

The 3/60 problem

Schroeder, an admitted skeptic of the merits of MPR in the discussion phase, remains unconvinced. Disappointment in the early weeks of reporting probably was made worse by anticipation, he says. The MPR system was intended to eliminate the thin reporting and to add full representation to simple price ranges. But that didn’t happen in the first weeks, and Schroeder says a key design constraint may have the system hamstrung.

“The problem is the so-called ‘3/60 guideline,’” he says. That’s a USDA policy to withhold from publishing any report that involves fewer than three packing firms (regardless of number of plants) or if any one entity accounts for 60% or more of the data for a report. As a result, there is no daily report for several key cattle regions, just the statement, “Confidentiality of data prohibits publication of this report.”

The law requires confidentiality, Van Dyke says. “But we have some discretion on how we accomplish that. In addition to the 3/60, we’re looking at some other measures to apply in conjunction with that, which we hope will provide more [reporting] opportunities.”

It amounts to a design flaw, Schroeder says. “USDA adopted general confidentiality standards that probably don’t fit this setting very well.”

Noting any observer can report an auction, Schroeder says, “I don’t see why this should be different — it’s all a cattle market. I know business is after innovation, and it makes sense to have proprietary information. But does it make sense to have mandatory price reporting that nobody can see unless it’s conglomerated? It’s like, ‘We know, but we’re not going to tell you’ — and that’s a strange way to operate a public price reporting system.”

High frustration level

“Anybody could have guessed this would happen, had Congress asked anybody,” Schroeder adds. What he didn’t expect,

CAB® market quotes added to Urner Barry’s ‘Yellow Sheet’

The oldest and one of the most influential privately held cash commodity reporting firms in the United States began reporting market prices and conditions for *Certified Angus Beef*® (CAB®) product in April. Urner Barry Publications Inc., founded in 1858, releases the quotations weekly in printed and electronic versions of “Urner Barry’s Yellow Sheet.”

Joe Muldowney, editor, says, “Market coverage for *Certified Angus Beef* will fill a void that previously existed for people needing information on premium programs. The popularity of the brand with packers, foodservice distributors and retailers will enable us to release timely, accurate information on this program for our subscribers.”

Also in April, the U.S. Department of Agriculture (USDA) began publishing aggregated information on branded beef that includes CAB product sales under the mandatory price reporting (MPR) system. The CAB brand is the world’s leading brand of fresh beef and includes eligible Prime and the upper 24%, by volume, of USDA Choice.

however, is the level of "nonreporting" that results in all those blanks.

The net effect after the first month? "People are frustrated," he says. "Any time a government entity that provides information reduces its availability, it's clear that the private sector will take over."

Van Dyke says the MPR system is getting better as it evolves. "Information on contracts and formulas is all new; this is a brand new system for us. Until we started getting data, we didn't know how to handle all the publishing of information. It's a learning curve for everyone, including the economists, in determining what's out there and how to use it."

Private-sector forecasters are unlikely to have an advantage over USDA, Van Dyke adds. "I'm not sure where they would get information, but I don't think they had access to the contract and formula action that was going on, so I doubt they have inroads to those new areas."

Schroeder plans to survey cattle feeders and packers this summer on how they use the new information, what they have gained or lost, and what they envision might improve the scenario. "We'll also look at some of the costs and benefits," he says.

The economist was encouraged that, by the end of April, the key "National Weekly Direct Slaughter Cattle Premiums and Discounts" contained actual numbers instead of the confidentiality disclaimer. "Without that, we just have these huge ranges with no idea of what the differences are," he explains.

While research by Schroeder and other economists across the country may suggest changes to the law, Van Dyke is confident that the act, as written, will add significantly to the data economists can use to analyze the market and to make projections. There will be fewer blanks and confidentiality disclaimers as the year goes by, but there's a bigger concern, he says.

"If we continue to have declining numbers sold on a negotiated cash basis, that information will disappear whether we're under a voluntary or mandatory system," Van Dyke says. "Given that, the mandatory law becomes more important."

To check on the system's evolution, view www.ams.usda.gov/lsg/mnacs/LS_MPR.htm on the Web.

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The things Gene taught me



I had a tough day last week. Gene died, and I was asked to help with the funeral ceremonies. I could hardly get through the small part of it I had to do, which was to read Clem McSpadden's "A Cowboy's Prayer."

Gene was a very good friend of my family's, especially Dad's. They went to school together. My dad spent a lot of time at Gene's house when they were growing up. My dad loved to rope calves and to bulldog steers when he was a young man. It was Gene's daddy, Chet, who taught him how.

Chet's Cowboy's Turtle Association (CTA) membership number was something like 123. That meant he was the 123rd or so cowboy to join the organization, a precursor of today's Professional Rodeo Cowboys Association (PRCA).

I don't remember much about Chet because he was an old, old man when I was around him. All of the first rodeos that my dad went to were with Gene, Chet, and Gene's brothers and sisters. Gene and his wife, Mary, were like family to me.

Gene was one of those quiet but independent men of whom the West is supposed to be made and who are pretty hard to find. He didn't have much to say, but when he did, it was good to listen. I did not always agree with him, but I always wanted to hear what he had to say because there always was some wisdom to be gleaned from it.

I always could depend on Gene and Mary's caring about me and what I was doing. They did not always agree with me and would tell me when they thought I was all wet. Gene did not have to say anything. I could tell if he approved or disapproved by his manner. He and Mary could make me understand without being demeaning. Being with them was kind of like being home.

I guess Gene was one of the last vestiges of my dad. Just thinking of his and Dad's being gone makes my eyes water. I miss them a lot. I'm a man now — and a middle-aged one at that — but I still miss them. I want to talk to them and hear what they have to say.

Their answers always were tinged with their experiences and stories of how they used to do things. I can remember when I was a lot younger and not really wanting to hear all those stories because I was too busy to listen. But I was a little too impatient and had a rather high opinion of my own intelligence at that time.

I don't know if this is sacrilegious or not, but I would like to think of them in heaven as young and strong, along with Chet and several other friends, in the arena having a good time ropin' and bulldoggin' away from the troubles of life. I can almost hear their laughter. I wish I could.

Mary, usually the pillar of merriment and strength, seemed to be lost without Gene. They had been spouses and best friends for 52 years. Mary seemed frail for the first time I can remember in my almost 53 years. You might think that I am being a little dense not to see a woman who's past 80 as a little frail and to see her only as happy and strong. I guess you would have to know her to understand what I mean.

Gene and Mary seemed to be a perfect match, and that was another lesson for me. I always wanted to have that kind of marriage; thank God I have it now. I wish people everywhere could know someone like them. The world would be a better place.

I am a better man for knowing them. I love them both, and I miss Gene even though I did not get to see him as much as I needed to. I guess a man should not admit to cryin', but it's pretty difficult to write this dry-eyed.

— Tom McBeth