

Changes in Cattle Price Reporting Announced

USDA agrees to change cattle price reporting. Freight adjustment will provide producers with more accurate CME Index data, NCBA says.

In a move that will provide more accurate pricing information for cattle producers, the U.S. Department of Agriculture (USDA) will begin accepting feeder-cattle prices reported on a delivered basis with a freight adjustment. The delivered basis transactions will be included with those already being collected and reported on a free on board (F.O.B.) basis, and will be eligible for inclusion in the Chicago Mercantile Exchange (CME) Feeder Cattle Index.™

This reporting change comes in response to concerns expressed by producer-members of the National Cattlemen's Beef Association (NCBA) regarding the low volume of animals that were being used for calculation of the index. USDA limitations on the types of cattle sales eligible for inclusion in its reports were identified as a major contributing factor to this situation.

"This alteration will enhance the transparency and effectiveness of the index by allowing producers who receive feeder cattle on a 'delivered' basis to convert the price paid to an F.O.B. price by subtracting out the transport costs they incurred," said Jason Jordan, manager of legislative affairs for NCBA.

The index serves as a valuable risk-management tool for producers and is based on feeder-cattle prices collected and reported from a 12-state region by USDA. The accuracy of the index depends upon a sufficient number of animals being included in the calculation. However, in recent years it had become clear that the current reporting

parameters limited the volume of reportable sales such that the validity of the index was in question, especially during fall months.

Recognizing that an alteration was needed, NCBA collaborated with key officials from the CME and USDA to identify changes that would facilitate a higher volume for calculation of the index. Specifically, delivered-basis transactions may be converted to an F.O.B. basis by the buyer or seller, and reported by telephone, e-mail or facsimile. In order to ensure accurate reporting, the following stipulations apply.

- ▶ All cattle sales must originate in the 12-state region.
- ▶ Producers must provide transaction information on a consistent basis to be included.
- ▶ The buyer or seller must convert the price from delivered to F.O.B. and provide Market News with both prices.
- ▶ Origin point of the cattle must be provided.
- ▶ Names of the buyer and seller must be provided.
- ▶ Documentation verifying the aforementioned conditions must be provided to USDA upon request.

As producers begin to report these delivered transactions, USDA will compile

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the information and make it publicly available for a period of time in order to illustrate the effect of this alteration before including delivered transactions in its reports. Also, understanding that cattle are often sold on even weights, USDA will begin including 850-pound (lb.) animals in the 800- to 849-lb. weight category.

"Open communication and information sharing have led to this distinct change in USDA policy," Jordan said. "Producers are strongly encouraged to report all of their cattle trades both on an F.O.B. basis, and delivered with a freight adjustment. This will increase the volume of animals going into calculation of the index and ensure that it is a true representation of current market conditions."

To maintain the integrity of direct feeder-cattle reporting, information collected on feeder-cattle transactions, or documentation provided to support the transaction, may be retained by Livestock and Grain Market News for a period of one year. However, as with all proprietary information collected by Market News, this information is not subject to disclosure under the Freedom of Information Act (FOIA) and can only be provided to another government agency during the course of an active investigation.



Editor's Note: This article was provided by NCBA.



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