



LMR & Holcomb Fire Update

Dr. Glynn T. Tonsor
Dept. of Ag. Economics,
Kansas State University
gtonsor@ksu.edu
Twitter: @TonsorGlynn

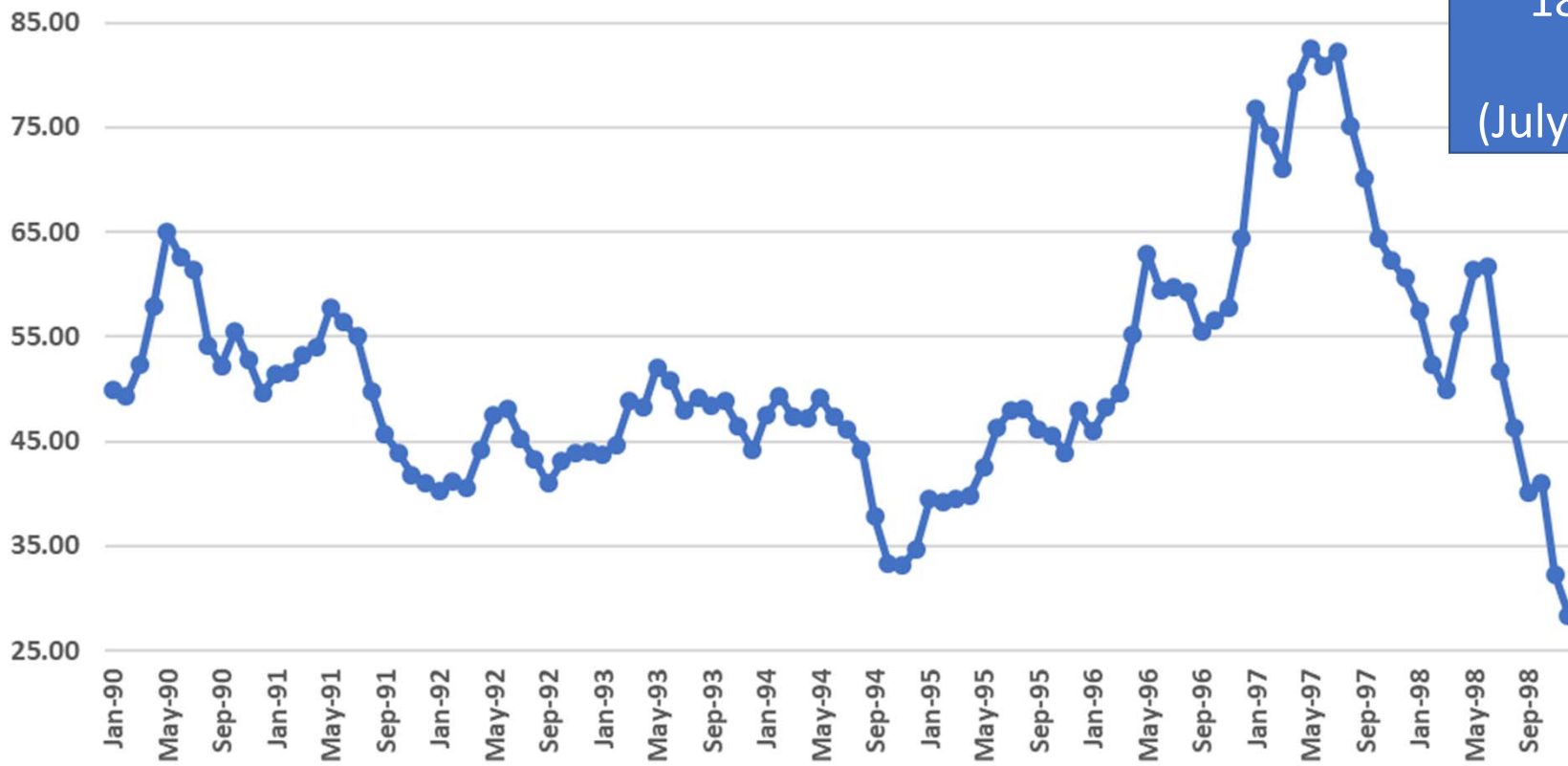
Hill Briefing October 7 –
Livestock Update: Market
Developments, Policy, and
Reporting

Monday, Oct. 7, 2019 from 11:30 - 12:30 p.m. EST

1300 Longworth House Office Building

Livestock Mandatory Reporting (LMR)

Nearby CME Hog Futures, Monthly Jan. 1990 - Dec. 1998



>65% price decline in 18 months “raises questions” !
(July 1997 – Dec. 1998)

Livestock Mandatory Reporting (LMR)

- Congress passed “Livestock Mandatory Reporting Act of 1999”
- USDA AMS implemented LMR on April 2, 2001
- LMR Act must be reauthorized every 5 years (swine-pork changes here)
 - 2006 Act separated reporting requirements for sows/boars from barrows/gilts
 - 2010 Act added mandatory reporting of wholesale pork cuts
 - 2015 Act added definition & reporting requirements for negotiated formula & late-day purchases
 - Current LMR authority expires Sept. 30, 2020

Livestock Mandatory Reporting (LMR)

Confidentiality Guidelines for the Livestock Mandatory Reporting Program

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The Livestock Mandatory Reporting Act of 1999 requires USDA to publish mandatory data on livestock and meat price trends, contracting arrangements, and supply and demand conditions **in a manner that protects the identity of reporting entities and preserves the confidentiality of proprietary transactions.**

<https://www.ams.usda.gov/sites/default/files/media/ConfidentialityGuidelines.pdf>

USDA AMS Barrow & Gilt Prices (Producer Sold)

October 1, 2019

https://www.ams.usda.gov/mnreports/lm_hg200.txt

	Negotiated	Other Market Formula (Futures/Options)	Swine or Pork Market Formula	Other Purchase Arrangement	Negotiated Formula	Totals/Wtd Avg
Head Count	7,882	43,186	99,958	113,643	310	264,979
Base Price	\$ 48.49	\$ 66.45	\$ 56.61	\$ 63.72	*	\$ 60.96
Head Count %	3.0%	16.3%	37.7%	42.9%	0.1%	
Base Price VS Negotated	\$ -	\$ 17.96	\$ 8.12	\$ 15.23		\$ 12.47

Oct CME LH:
-\$18 since
late July

Likely higher
cost of
production:
ABF, Beta-
agonist free,
Stall-Free, etc...



MARKETING

A primer on hog prices

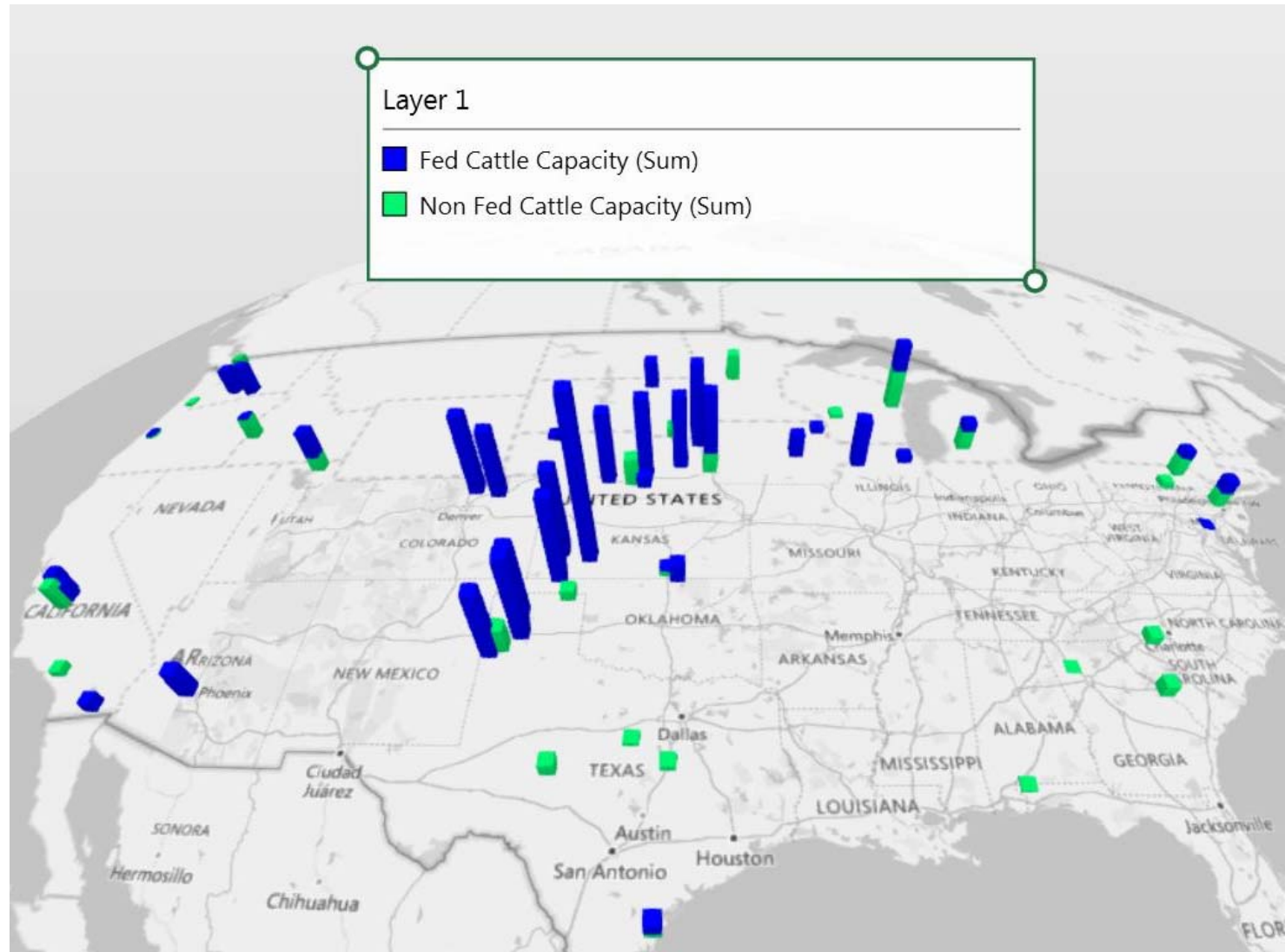
Just what goes into the hog price these days? Here's a look at the factors involved

Steve Meyer | Sep 03, 2018

- Hogs are NOT homogeneous, Sold at different times, & nobody has full/perfect info.
 - So why do we expect “One Price” ?
- Prices under different transaction types vary
 - Variation often extreme during large supply or demand shocks

Holcomb-Tyson Plant Fire

- Date: August 9th
- Processing Capacity Involved: 6k/day
 - ~5% of US Capacity (~24% of KS Capacity)
- Processor Map



Holcomb-Tyson Plant Fire

U.S. News
A WORLD REPORT

CIVIC

Tyson Officials Say Welding Spark Likely Caused Holcomb Fire

Tyson officials say a spark from welding during maintenance is the likely cause of a fire that damaged the company's plant in Holcomb.

By Associated Press, Wire Service Content Aug. 15, 2019

8/21/2019

Tyson Foods slaughterhouse fire ignites U.S. beef prices - Reuters



REUTERS

Markets

Livestock Markets Jolted by Tyson Beef Plant Fire

By [Lydia Mulvany](#)

August 19, 2019, 12:29 PM CDT

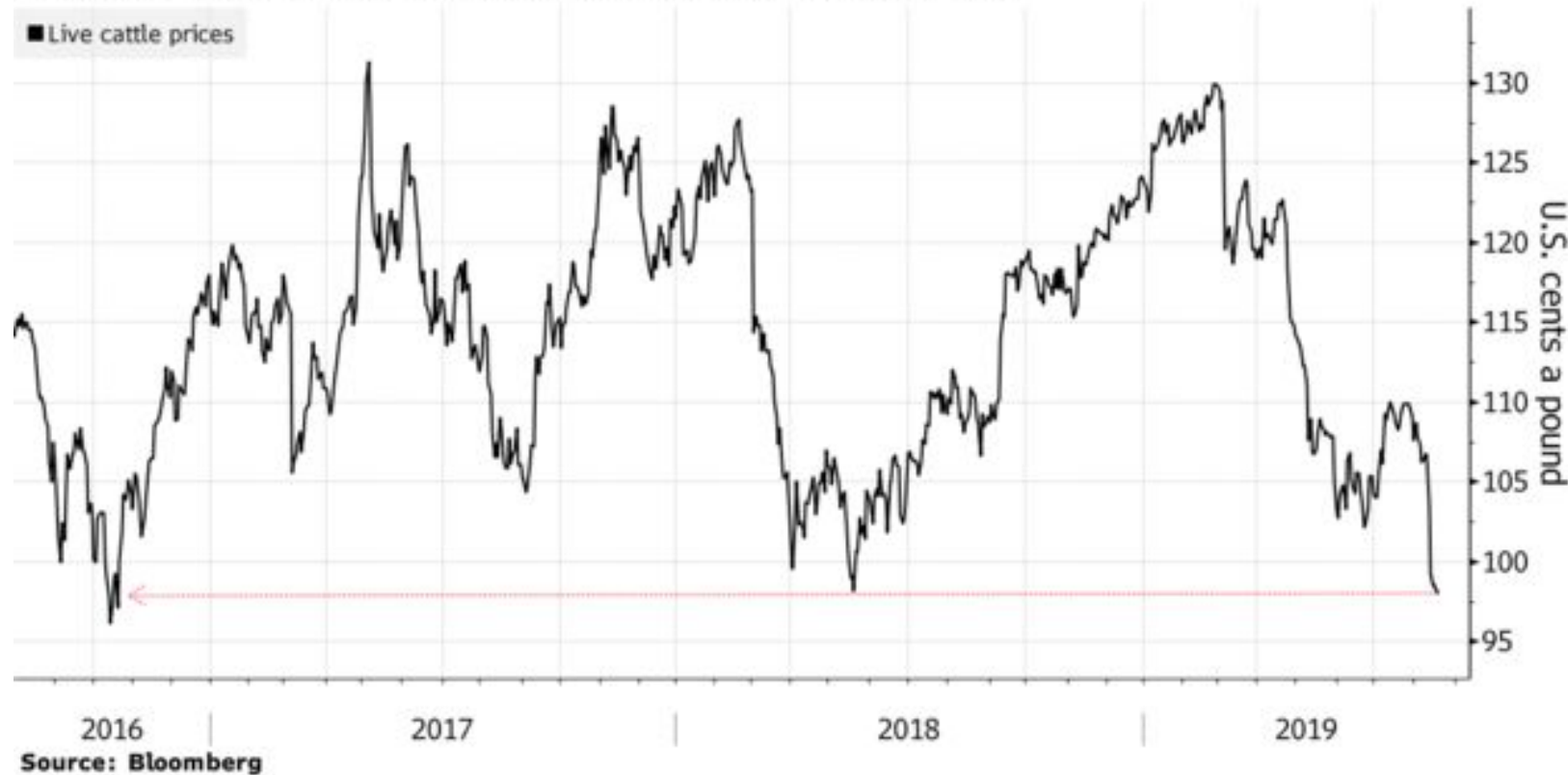
- ▶ Retail buyers are in a bidding frenzy, fearing shortfalls
- ▶ Pricier beef may be coming to consumers sooner than expected

8/21/2019

Fire That Destroyed Top U.S. Beef Plant Upends Livestock Market - Bloomberg

Cattle Mauled

Futures tumble after Tyson plant fire on livestock glut

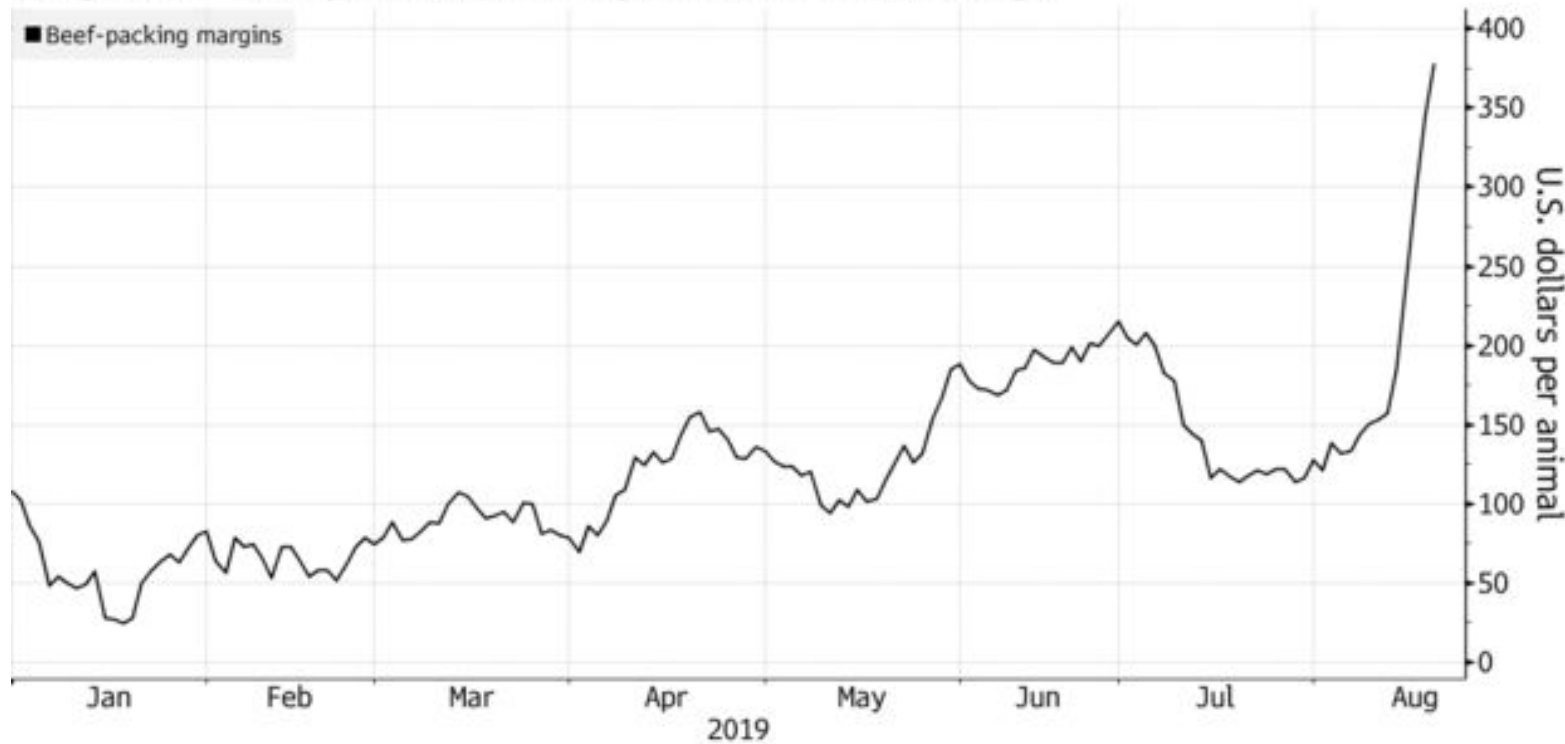


Price Impact on Cattle

- Expected:
 - Derived Demand Decline = Cattle Price Decline
- Realized:
 - CME limit down 1st two days
 - LC Cash down \$5-\$7 1st week; FC Cash down ~\$10

Packer Win

Margins for beef packers have expanded to a record high

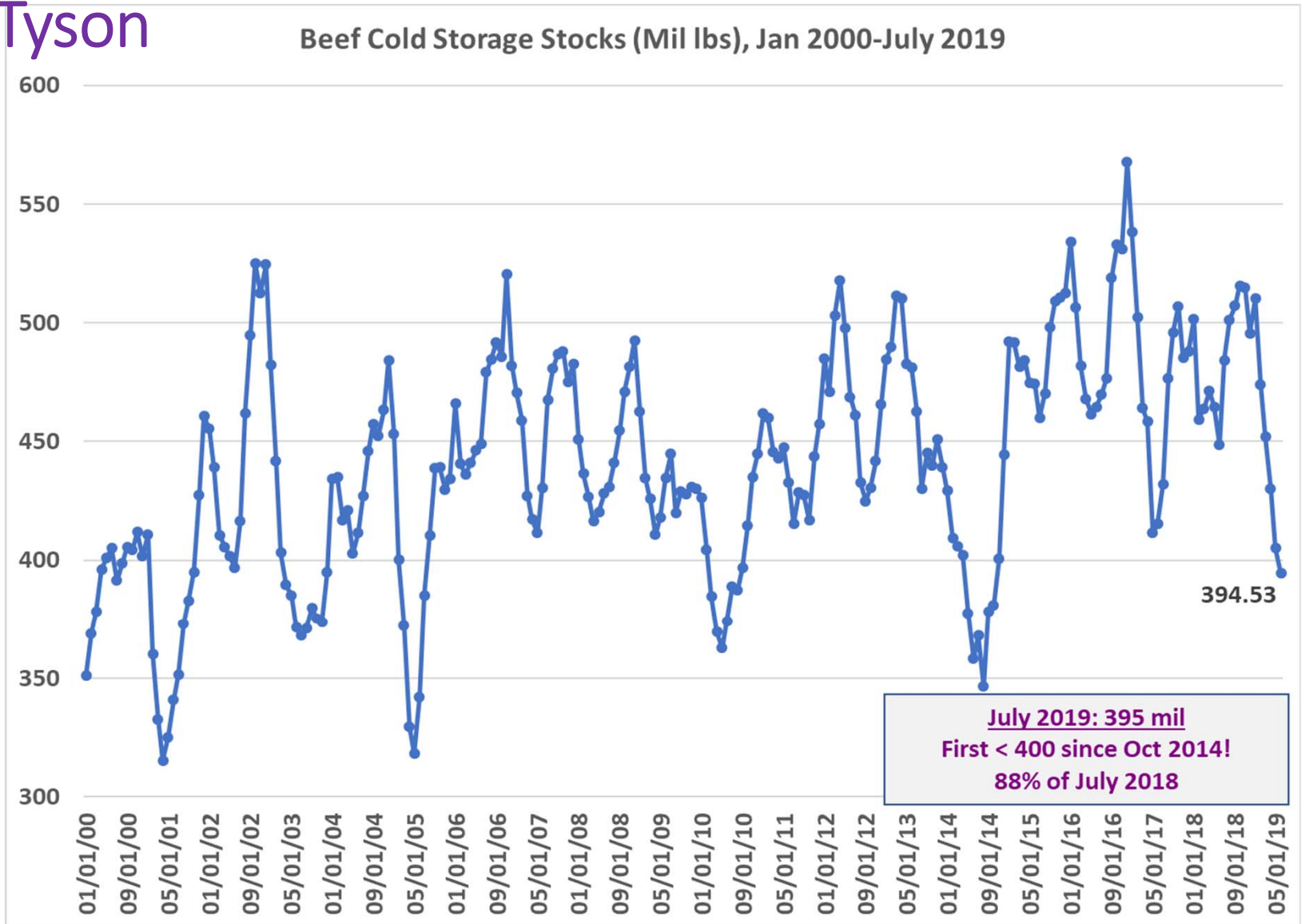


Source: HedgersEdge

Price Impact on Beef

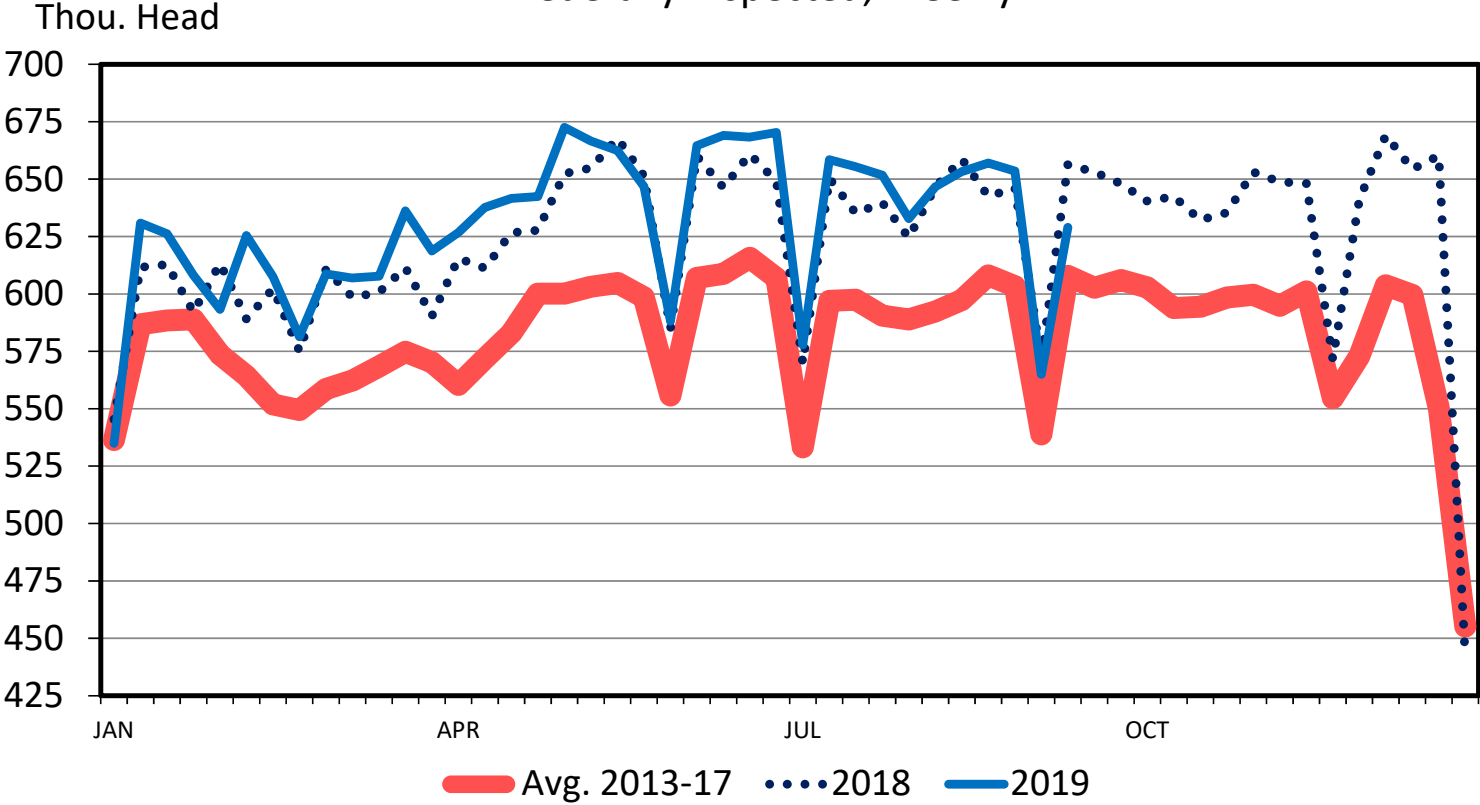
- Expected:
 - Processing Cost Up = Beef Price Increase
- Realized:
 - Two largest daily cutout price increases on-record (post-MPR)

Holcomb-Tyson Plant Fire



CATTLE SLAUGHTER

Federally Inspected, Weekly

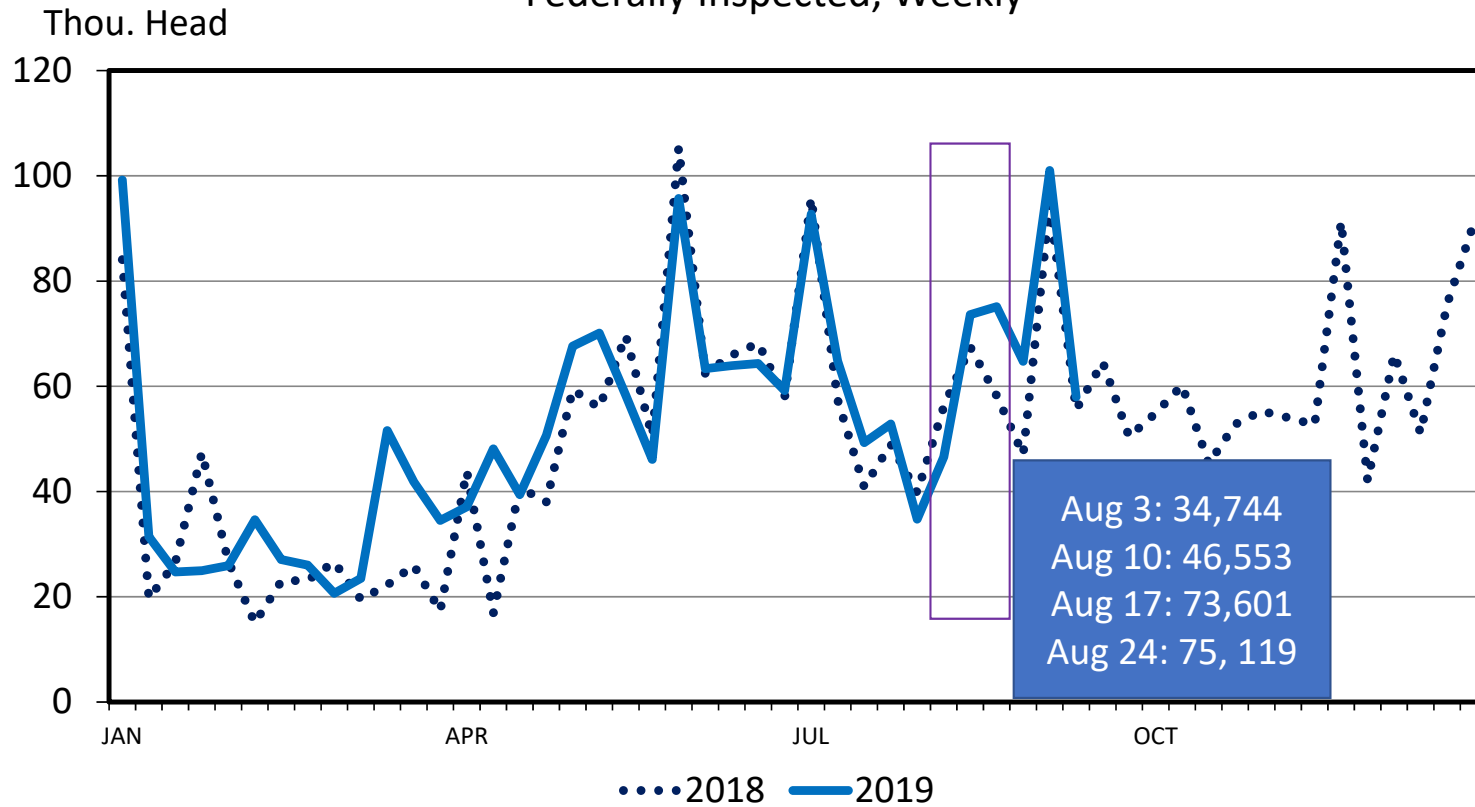


Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

C-S-08
09/13/19

SATURDAY CATTLE SLAUGHTER

Federally Inspected, Weekly



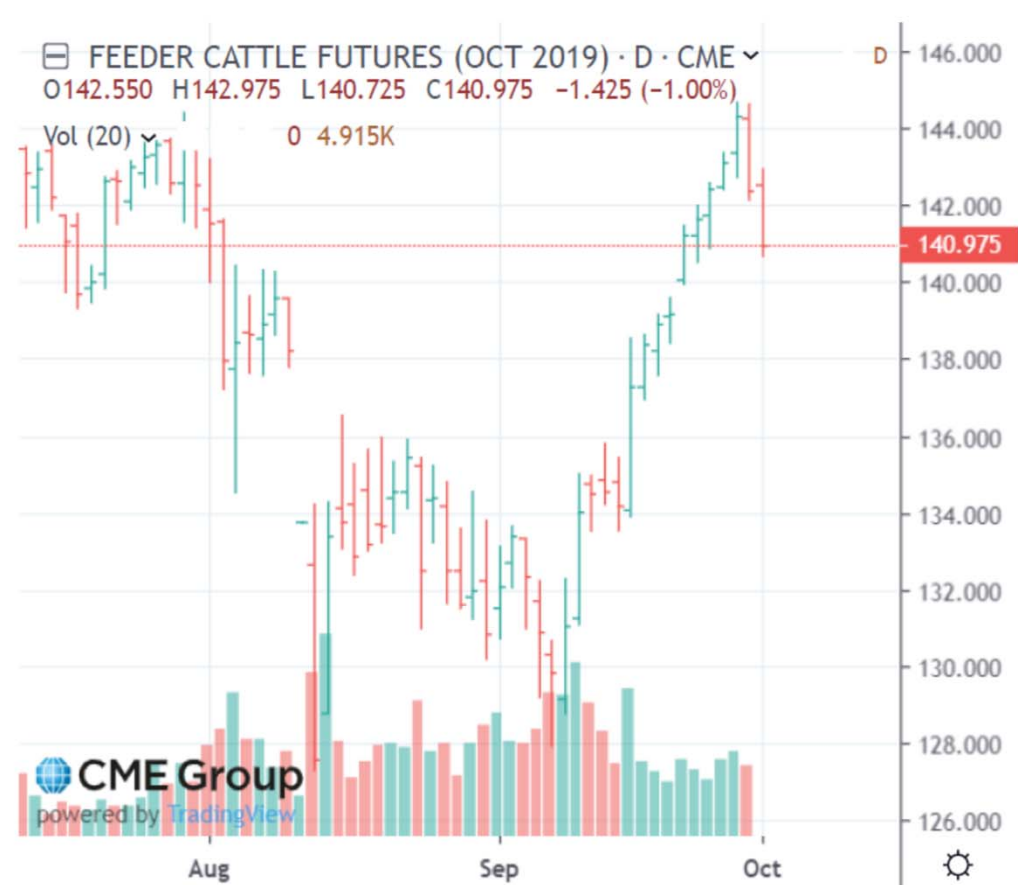
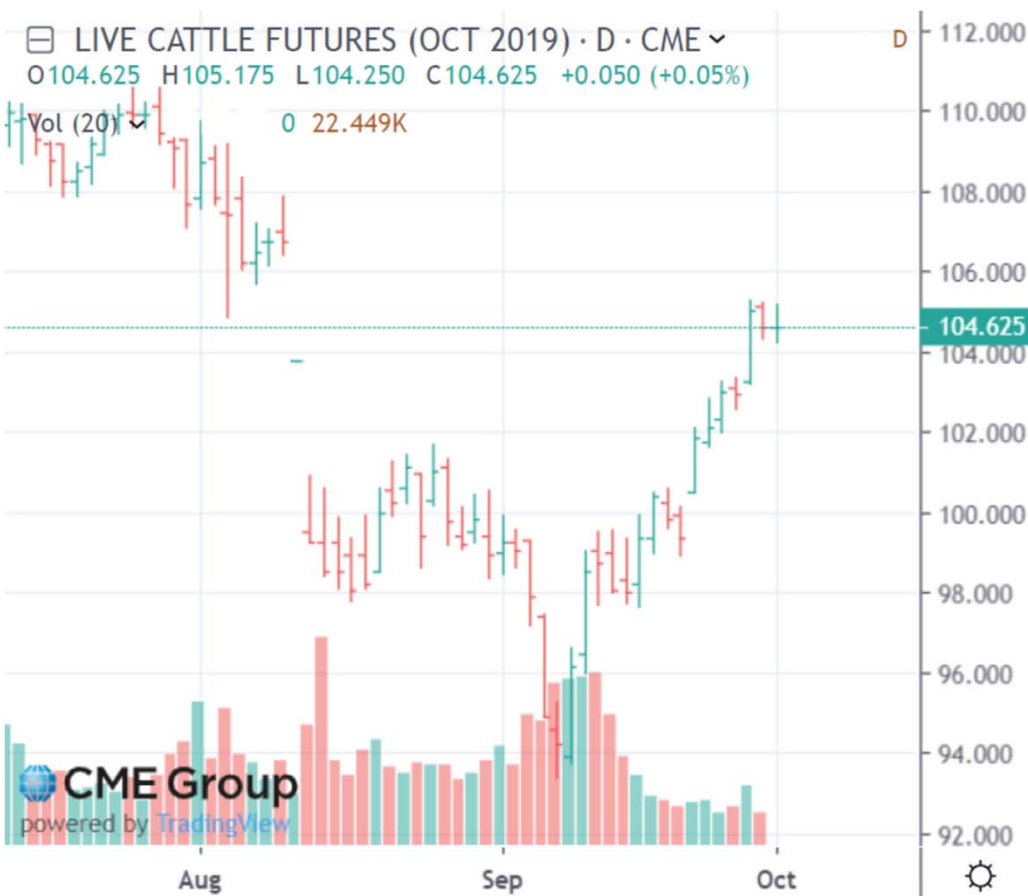
Data Source: USDA-AMS & USDA-NASS

Livestock Marketing Information Center

C-S-03

09/13/19

Markets Often Operate Like A Pendulum



Markets Often Operate Like A Pendulum

- CME LC – Now \$1.50 below August 8th levels
 - Were
- CME FC – Now above August 8th levels
- Choice Cutout – Now \$3 below August 8th levels

More information available at:



This presentation will be available in PDF format at:

<http://www.agmanager.info/contributors/tonson>

Glynn T. Tonsor

Professor

Dept. of Agricultural Economics

Kansas State University

Email: gtonson@ksu.edu Twitter: @TonsorGlynn