

A Review of the USDA Swine Contract Library: Usage and Application, Industry Reflections and Future Direction

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A resource intended to house information about marketing contract arrangements established between swine producers and packers, the Swine Contract Library (SCL) has had an uneven history. As an amendment to the Packers and Stockyard Act, 1921, the Livestock Mandatory Reporting Act of 1999 (1999 Act) established the SCL, and the Grain Inspection, Packers and Stockyards Administration (GIPSA) implemented the SCL on Aug. 11, 2003. The 1999 Act lapsed on Sept. 30, 2005. GIPSA asked packers to voluntarily submit contracts and report estimated deliveries during this interim, but that request led to limited submissions.

On Oct. 5, 2006, the Livestock Mandatory Reporting Reauthorization Act extended the 1999 Act until Sept. 30, 2010, and amended the swine reporting requirements of the 1999 Act. A final rule on April 2, 2010, established regulatory authority for the SCL's continued operation. The final rule took effect on May 3, 2010. Certain changes included within the reauthorization act that impacted the SCL were implemented, and other changes intended to enhance SCL effectiveness and efficiency took effect. Effective in 2018, GIPSA was eliminated as a standalone agency and realigned to the Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture (USDA). The Packers and Stockyards Division (PSD) of AMS now implements the SCL. Since its inception, no funding has been specifically directed to SCL for development and maintenance. Therefore, it has functioned as an unfunded mandate.

Library Driven by Supplying Equal Access to Market Information

As a publicly available resource, the SCL intends to provide equal access to market information for all market participants. Its uses include aiding price discovery and allowing producers to investigate what contract terms and provisions packers offer. Building on knowledge gained from the SCL, producer negotiations may result in more favorable contracts with packers.

Since 2010, the SCL has provided market participants with uninterrupted access to information. However, little is known about how frequently market participants access the library and use information in it. Gaining understanding in these areas can yield important insights into whether the library collects relevant information from packers, whether it provides producers and other market participants with information they desire and the extent to which it has impacted the structure of swine marketing contracts and price discovery over time.

Confidentiality Standards Shape Library Reporting

The 1999 Act outlines confidentiality restrictions. As a result, the SCL does not publish contracts in full — whether redacted or unredacted — but summarizes contract information by contract type and region. The summaries share insights into four categories of specifications: base price determination, premiums and discounts, application of ledger and other provisions. “Other provisions” are not necessarily verbatim because any wording that potentially identifies a party

to a contract is replaced with more generic terms. The SCL does not publish volume information associated with each contract, price formula or contract term. However, it does publish a monthly report of the projected number of swine committed and the maximum number of swine packers expect to receive during the next 12 months by contract type and region. Confidentiality restrictions often preclude monthly estimates from being released, especially regionally.

Market Participants Weigh in on Library Use, Benefits and Limitations

Via targeted interviews and an online survey, the project team captured industry perspectives about the SCL's collection and dissemination of marketing contracts-related information. *The findings reflect the authors' observations and are consistent with the near-consensus sentiment received from market participants who offered feedback.*

This report presents our findings and considerations in no particular order. None of our findings or considerations should materially alter the chief value derived from the SCL — that is, contract specification detail. The authors echo what industry participants shared about no material change to the library interrupting industry participant access to contract specification insights. The detail on contract terms published in the library is paramount for the library to provide value in the swine marketing contract negotiation process.

The following key findings highlight the feedback gleaned from industry participants.

1. SCL information is used by industry participants when negotiating or renegotiating swine marketing contracts. To a much lesser extent, SCL information is useful for increasing market transparency, improving price discovery, and providing enhanced signals to producers with respect to industry output and better insights regarding hog market demand and supply.
2. Contract specifications provided in the SCL are valued by industry participants, whereas the monthly reports of estimated swine to be delivered — as they are published currently — have little to no perceived value to industry participants.
3. The format used by the SCL to share contract specifications limits industry uptake of information. There is support for updates at regular frequencies that aren't necessarily in real time. Furthermore, the lack of “volume” metrics limits user confidence in how prevalent certain contract specifications are in swine marketing contracts.
4. Both the structure of the industry and USDA agencies at the time of the 1999 Act signaled GIPSA as the appropriate administrator of the SCL. Since then, industry structure has changed; LPGMN has had ongoing industry engagement through managing Livestock Mandatory Reporting (LMR) of swine and pork; and GIPSA realigned into AMS in 2018.
5. We note there could be trade-offs associated with any of the action items below due to the costs of implementing any of the action items. Since its inception, no funding has been specifically directed to the SCL for development and maintenance. Therefore, it has functioned as an unfunded mandate.

Action Items for Consideration

Based on industry participant feedback and the authors' own observations, the following considerations represent points on which to reflect as Livestock Market Reporting Act reauthorization approaches and AMS evaluates how to best administer the SCL.

1. Related to SCL and Livestock Market Reporting Act Reauthorization

- a. Realign SCL administrative authority to LPGMN of AMS. The Packers and Stockyards Act would continue to dictate SCL compliance and enforcement. Transferring the SCL's administrative authority to a different AMS program or division would not require legislative change.
- b. Propose to stop collecting and publishing the monthly estimates of swine to be delivered under contract during the next six- and 12-month periods; allow industry to comment on this proposal during the comment period.
- c. Report to what extent, if any, confidentiality restrictions prevent SCL regional or national inclusion of contract specifications. If preserving confidentiality at the regional level prevents including contract specifications at the national level, then discontinue regional reporting. In general, industry participants prefer more robust national contract information over less information from regional reports.
- d. Assure future dialogue about updates to the SCL and adherence to a clear mission by forming an ad-hoc advisory committee to review the library the year prior to Livestock Market Reporting Act reauthorization.
- e. Maintain the option to submit example contracts through non-electronic processes. However, stress a preference for electronic submissions because a standard, automated process will reduce the need to make "on-the-fly" SCL adjustments as personnel changes and other circumstances occur.¹

2. Related to Administration of Data Collection and Information Presentation

- a. Reorganize reports with in-document tables of contents and links to sections. For example, link referenced schedules between reports of base price determination and schedules referenced in the base price determination.
- b. Add specificity about the frequency by which the SCL is updated to reflect changes in contract specifications. This could include a summary page of changes

¹For example, under LMR, "whenever information is required to be reported under this part, it shall be reported by electronic means and shall adhere to a standardized format established by the Secretary to achieve the objectives of this part, except in emergencies or in cases when an alternative method is agreeable to the entity required to report and AMS" (e-CFR, 2008).

(e.g., number of contracts added, amended, retired) with each update. We suggest making updates at three- or six-month intervals.

- c. Implement a standardized, electronic process for packers to submit SCL information. (See consideration 1e.)
- d. Create a supplemental user-friendly dashboard to summarize contract specifications, such as a quantity, e.g., over twenty instances, of inclusion and a range for a specification.
 - i. The dashboard should not be structured to position the SCL as a price discovery tool as this would duplicate information provided through LMR.
 - ii. The dashboard should not displace the current SCL's specificity and nuance but instead offer easy-to-understand summaries of contract specifications.
 - iii. The dashboard should be interactive and allow users to navigate different screens or views and switch between various contract specification snapshots. It should also allow users to download the data or access the data through an API.
- e. Provide timestamp details for when a new specification (e.g., new animal husbandry production practice) is added to or amended in the SCL and when a specification is retired from the library.
- f. Offer access to historical contract specification details. At a minimum, this could include archiving the schedules referenced, reports referenced, and contract summary reports and noting the retirement date of an example contract.
- g. Post confidentiality guidelines as well as examples for how contract specifications are assured confidentiality.
- h. Confirm confidentiality guidelines apply consistently across SCL reporting and livestock mandatory reporting of swine and pork (i.e., 6/30 and [3/70/20](#)).
- i. Assure entities that are mandated to report example contracts to the SCL and transactions to LMR swine and pork consistently categorize and report hogs contracted and marketed through cooperatives and where contractees are co-op member-owners.
- j. Create an educational tutorial to show how SCL data are collected, summarized, and published and how industry can better use reported information.