

# Price reporting methodology:

## US BEEF VARIETY MEATS MARKET

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## Introduction

Expana's goal is to provide timely, accurate and unbiased price assessments and market information to clients which are reliable indicators of market values, free from distortion and representative of the market that they relate to. This is an explanation of methods used by Expana to gather, evaluate and report market activity. This explanation will include necessary background information to provide a clear understanding of how Expana market quotations are established.

## Timeframes of information collection

While trading information can be submitted to Expana reporting staff at any time, Expana's market reporting staff is actively soliciting information from approximately 8:45 a.m. to 5:00 p.m. E.S.T. or E.D.T., every business day.

## Publication dates

Expana publishes price quotations across a variety of commodities. Information on specific publication dates are included below in this document.

## Establishment of quotations

Reporters start gathering information for their next report immediately after filing the closing quotations for the reporting period.

Information is collected via numerous channels including phone interviews, face-to-face meetings, email, instant messaging platforms, fax, and online through Expana's website. Submitters of market data are encouraged to provide transactional data from back office functions and to provide all of their market data that falls within Expana's criteria for the markets covered. Reporters contact stakeholders throughout the value chain, including processors, retailers, wholesalers, distributors, exporters, importers, traders, and brokers to keep current on present price levels and market conditions.

Information collected includes when a transaction was initiated, what products have been traded, what levels are being bid on each product, who is bidding or offering at said level, when the product will ship, and how the product is packed. Expana's market sources and information submitted remains confidential.

Expana follows a hierarchy of priority when establishing quotes based on information gathered as follows:

- *bona fide* trades
- offers and bids
- additional market information, including trading relationships to related items
- market participant assessments and indications of prevailing values

If higher bids or lower offerings come into the market after the last recorded trades, the final price assessment may be adjusted accordingly if the reporter finds sufficient justification for such an action. Offering prices cannot be used to move prices upward, nor can bid prices be used to move prices downward.

Expana takes care to be sure transactional data is *bona fide*, which indicates the transaction be either completed or prepared to be completed between two parties not influenced by a conflict of interest. Expana's reporters make it their goal to clearly identify factors and circumstances surrounding reported trade and will use available information and methods in their price assessment. The forthrightness of reports can be tested using other participants as a check and balance system.

Some transactions may receive additional scrutiny from market reporters to ensure that their inclusion in the final price assessment results in a quote that is a reliable indicator of commodity market values. Such transactions that can receive additional scrutiny include packaged transactions where it appears the price of one item is affecting the price of other items in the transaction; trades that occur as a transfer within the same company; transactions comprised of multiple deliveries where the entire delivery period does not fall into the stated guidelines reflected in the market report; conflicting or inconsistent information by the counterparty; transactions where buyers and sellers fail to act in a logical manner; transactional data that is significantly different from other data collected during that time period.

## Market reporters

To ensure that a high quality is maintained in Expana's price assessments and market commentary, market reporters undergo rigorous training before they are eligible to engage with sources to collect information and develop Expana's proprietary price assessments. Rookie market reporters, called "market researchers" work closely under veteran market reporters and editors to become familiar with the methodologies listed here, supply and demand dynamics associated with the markets that they cover, and the parties submitting market information. For each market that Expana covers, there are multiple market reporters who are trained to conduct price assessments and commentary. Adherence to these reporting methodologies, oversight by senior reporters and editors and continued education across the market reporting staff results in consistency of price assessments across assessors reporting the same market.

Expana's reporters are trained to utilize judgment when gathering and reporting data. Judgment can be exercised during periods including but not limited to those where limited negotiations, low liquidity in the market, or anomalous transactions could otherwise lead to inaccurate or erroneous price reporting.

## Acceptable products and market conditions

For a transaction to be considered for assessment, certain criteria must be met. With exceptions noted in market-specific documentation, product must:

- meet standard specifications for the industry unless otherwise indicated
- be in acceptable condition
- not be distressed, or offered or bought under distressed conditions
- be delivered in a timeframe considered standard for the market

Only trades and trading information from participants who are free to conduct business with a variety of market participants are acceptable. When trade that is or could be construed as a transfer between an individual company's divisions or departments occurs, it falls to a reporter's judgment to determine if the transaction is repeatable on the open market. Based upon this judgment, such transactions may or may not be considered in the final determination of Expana's quotes.

The volume basis for Expana's quotations varies and is generally the standard commercial quantity for a given item. These units are outlined in this document below.

Most of Expana's market quotations reflect spot negotiations and exceptions are indicated in market-specific methodology documents. Contractual or market-related transactions are not used in the final quote determination but rather as indicators of need and ability to sell at a predetermined level.

There is no minimum quota for the volume of transactional data needed to establish a market quotation, but rather a requirement for a preponderance of evidence that the bulk of trade is occurring at the new price. Where a small number of participants represent a significant percentage of the periods transactional data, market reporters will collaborate with senior reporting staff and/or editors to ensure the assessment for that period accurately reflects the market, otherwise the quotation can be paused or unquoted until transactional data from more participants becomes available.

## Unquoted market listings

In some markets where trading is in limited volume, stagnant, or infrequent, an item may become unquoted. Unquoted markets in no way reflect prices moving higher or lower, but merely indicate that a closing price could not be determined.

In other cases, such as those markets that are ordinarily active on a seasonal basis, the last recorded trading information will persist in publication until trade resumes and new information becomes available.

Detailed information on situations where markets may become unquoted are available in this document below.

## Changes to reporting methodology

Expana will provide advanced notice of potential changes in reporting methodologies and subscribers will be provided the opportunity to provide feedback during a comment period of at least 14 days. After reviewing client feedback Expana will enact the changes typically within no more than 30 days of the closing of the comment period or take a different action based on customer feedback. Subscribers comments and Expana's response to those comments will be published unless where the commenter has requested confidentiality.

## Review of methodologies

Expana's Management, in consultation with clients from affected areas of the value chain, will review and evaluate current and proposed market reporting procedures and methodologies with the purpose of making recommendations on the following:

- A) To assess effectiveness, integrity and independence of the Expana methodologies used to establish quotations so that they best communicate the commodity values they are designed to reflect.
- B) To guide quality improvement of Expana market information and give guidance in developing implementation tactics or strategy.
- C) To ensure reporting methodology remains compliant with existing laws.
- D) To assess the effectiveness of suggested changes to quotations and/or other Expana benchmarks.

## Market specific definitions, terms, and methodologies

Market coverage on beef variety meats reflects wholesale negotiated trading activity on variety meats for distribution through US domestic and export channels.

### Acceptable origins

Category	Point of origin
Beef variety meats	United States

### Quotation period

Quotations are released twice a day; at 12:00 PM Eastern Time and 4:00 PM Eastern Time. The closing report released at 4:00 PM Eastern Time includes trading information collected for both the morning and afternoon. Market information that did not meet minimum accepted volumes or information collected after the closing report can be considered for future quotation periods within a reasonable time frame during periods of thin trade.

### Quotation format

Unit(s) of Measure for Quotation: \$/cwt.

The \$/cwt unit is the most commonly used unit for price negotiation in this market and is the unit of measurement reflected in our quote series for beef variety meats.

Expana's beef variety meats quotation series reflects trucklot (truckload), TL quantities of material which is defined as lots of more than 40,000 lbs. of product. In some instances, buyer and sellers will negotiate a transaction based on a truckload trade but the load will be comprised as multiple items. This transactional data can also be used in the price assessment for truckload pricing. Transactional data for "less than truckload" LTL pricing, will be used in the price assessment for the LTL category.

The range of values reflected in a market assessment depends on the variance of market data collected during the reporting period. Where the market trades at a level and is also offered lower or bid higher during the reporting period, Expana will exercise professional judgment to determine how bids and offers may be reflected in the final quotation.

The quotation can continue to be published unchanged while the reporter collects information that supports a steady market trend. When information suggests that the market has moved from the last quote, but new and/or reliable market data has not surfaced to reflect a new market value, the quotation will be removed from the sheet until a new quote can be established.

### Terminology

Certain quotations may be appended by suffixes or other marks. These are as follows:

Term	Significance
A suffix of "ax"	New negotiations have not occurred, but the market is moving lower on the basis of bona fide asking prices.
A suffix of "b"	New negotiations have not occurred, but the market is advancing on bona fide bids.
"r"	The quotation was previously unquoted and has been re-instated.

## Delivery basis

The Midwest River (Missouri River) area is a major meat production area in the central U.S. and, as such, is used as the basis for many price quotes in the red meat report, including beef variety meats. If shipment is made by a producer located outside the river area, Expana normalizes the trade to an f.o.b. River basis by taking the delivered price and deducting a standard freight rate back to the river, as though shipment had been made from there. If shipment is from one point in the river area to another, market reporters deduct standard freight charges to adjust the price from c.a.f. to “River Basis”.

## Delivery period

In order to be considered for inclusion in the final market assessment, delivery on a negotiated trade must be executed within 1-14 days from date of negotiation to be considered a spot transaction. In order to be considered for inclusion in the final market assessment for Expana's forward period, delivery on a negotiated trade must be executed within 15-60 days from date of negotiation. For export sales, product must ship within 60 days from the date of negotiation.

## Product specifications

Product name	Specifications
Select Oxtails, Small Boxes	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Oxtails from cow carcasses are not acceptable. The tail is removed from the carcass at the juncture of the second and third coccygeal vertebrae. Unless otherwise specified by the purchaser the posterior end of the tail shall be “tipped” to remove two to three coccygeal vertebrae and surface fat shall be trimmed to an average 0.25-inch (0.5-inch maximum at any point). Purchasers may specify that the tails be delivered whole or disjointed.
Oxtails (Cow)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only oxtails from cow carcasses are acceptable. The tail is removed from the carcass at the juncture of the second and third coccygeal vertebrae. Unless otherwise specified by the purchaser the posterior end of the tail shall be “tipped” to remove two to three coccygeal vertebrae and surface fat shall be trimmed to an average 0.25-inch (0.5-inch maximum at any point). Purchasers may specify that the tails be delivered whole or disjointed.
Tongues Domestic #1 White Swiss Cut IW	Product can be from any native carcass, either graded or ungraded. Product must be from the original shipper. Tongues from cow carcasses are not acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined humplike prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation.
Tongues Domestic #1 White Swiss Cut IW (Cow)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only tongues from cow carcasses are acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined humplike prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation.
Tongues Domestic #1 Black Swiss Cut IW	Product can be from any native carcass, either graded or ungraded. Product must be from the original shipper. Tongues from cow carcasses are not acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined humplike prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation.
Tongues Domestic #1 Black Swiss Cut IW (Cow)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only tongues from cow carcasses are acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined humplike prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation.
Tongues Domestic #2 Swiss Cut IW	Product can be from any native carcass, either graded or ungraded. Product must be from the original shipper. Tongues from cow carcasses are not acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined humplike prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation. Number#2 tongues have a greater amount of imperfections in comparison to number#1 tongues.

## Product specifications continued

Product name	Specifications
Tongues Domestic #2 Swiss Cut IW (Cow)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only tongues from cow carcasses are acceptable. A Swiss-cut beef tongue is a tongue that has had the U-shaped hyoid bones removed and has been trimmed to remove all glands, root, and underside blade meat. It shall be almost entirely free from fat. A beef tongue has a well-defined hump-like prominence on its topside marked by a groove toward the front end. The color of tongues varies, but are generally light and white, though some may show black pigmentation. Number#2 tongues have a greater amount of imperfections in comparison to number#1 tongues.
Trimmed Beef Cheek Meat	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Cheek meat from cow carcasses are not acceptable. Standard product is defined as lean muscle tissue, free of glands, cartilage and bone fragments. (Product that includes head meat is not acceptable and is generally sold at a discount and is not included in the price determination of Cheek Meat.) Acceptable percentage of chemical lean content is 70%, with a 5% tolerance. Product must be under six months of date of production.
Cheek Meat (Cow)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only cheek meat from cow carcasses are acceptable. Cheek meat is the group of muscles lying external to the upper and lower jaw bones including the mouth lining (membrane) and all connective tissue extending from the lip portion of the mouth back. Cheek meat shall be practically free of lip material, lymph nodes and salivary glands. The analytical fat content shall be specified by the purchaser.
Head Meat, 60-70% Lean	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Head meat is a group of muscle tissue appearing on both the head and the tongue. The tongue muscles included are the elongated muscle attached to the base of the tongue extending to the neck. The head muscles included are snout and eye meat, the temporal muscle, muscle tissue located at the base of the optical, and the muscle located at the top of the crown extending to the ears. Head meat shall be practically free of lymph nodes and salivary glands. The analytical fat content shall be as specified by the purchaser.
Hearts, Bones Removed	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Standard product is defined as the whole heart and is separated from the lungs, with the oscaridis bone removed and the left and right auricles remaining attached. Product which has had the cap removed (right and left auricles, aorta and pulmonary trunk) is not acceptable in price determination. Heart meat is not acceptable in determining price levels on beef hearts, bone removed. Premiums for specific trimmed hearts exist. Acceptable percentage of chemical lean content is 60%, with a 5% tolerance.
Hearts, Bones Removed / Export	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Standard product is defined as the whole heart and is separated from the lungs, with the oscaridis bone removed and the left and right auricles remaining attached. Product which has had the cap removed (right and left auricles, aorta and pulmonary trunk) is not acceptable in price determination. Heart meat is not acceptable in determining price levels on beef hearts, bone removed. Premiums for specific trimmed hearts exist. Acceptable percentage of chemical lean content is 60%, with a 5% tolerance. Beef hearts for export purposes, domestic sales excluded.
Kidneys (Small Boxes)	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. The whole organ shall be utilized except that the blood vessels, pizzle cord, and ureter shall be trimmed even with the surface of the kidney. The capsule membrane surrounding the kidney shall be removed.
Livers, Select 2/Domestic	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Livers from cow carcasses are not acceptable. The color of beef liver may range from light brown, with reddish shades predominating, to dark brown. Livers with a blue or black color are not acceptable. Liver shall have the heavy connective tissue removed. The large blood vessel, lymph nodes, and duct lying along the liver wall shall be trimmed even with the surface. Livers shall be practically free of scores and hook marks.
Livers, Select 2/Export	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Livers from cow carcasses are not acceptable. The color of beef liver may range from light brown, with reddish shades predominating, to dark brown. Livers with a blue or black color are not acceptable. Liver shall have the heavy connective tissue removed. The large blood vessel, lymph nodes, and duct lying along the liver wall shall be trimmed even with the surface. Livers shall be practically free of scores and hook marks. Beef livers for export purposes, domestic sales excluded.

## Product specifications continued

<i>Product name</i>	<i>Specifications</i>
Livers, Regular 2/Domestic	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only livers from cow carcasses are acceptable. The color of beef liver may range from light brown, with reddish shades predominating, to dark brown. Livers with a blue or black color are not acceptable. Liver shall have the heavy connective tissue removed. The large blood vessel, lymph nodes, and duct lying along the liver wall shall be trimmed even with the surface. Livers shall be practically free of scores and hook marks.
Livers, Regular 2/Export	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only livers from cow carcasses are acceptable. The color of beef liver may range from light brown, with reddish shades predominating, to dark brown. Livers with a blue or black color are not acceptable. Liver shall have the heavy connective tissue removed. The large blood vessel, lymph nodes, and duct lying along the liver wall shall be trimmed even with the surface. Livers shall be practically free of scores and hook marks. Beef livers for export purposes, domestic sales excluded.
Select Oxlips, Unscalded	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Oxlips from cow carcasses are not acceptable. Standard product is defined as meat and tissue from the side of the lower jaw, separated from the cheek meat, trimmed free of hide, hair, sores and other foreign material. A piece inspection should be made regularly; if scalded, product should be washed thoroughly to a point that it will skin cleanly. Oxlips will have a pinkish color.
Oxlips (Cow), Unscalded	Product can be from any native carcass, either graded or ungraded, including Holsteins. Product must be from the original shipper. Only oxlips from cow carcasses are acceptable. Standard product is defined as meat and tissue from the side of the lower jaw, separated from the cheek meat, trimmed free of hide, hair, sores and other foreign material. A piece inspection should be made regularly; if scalded, product should be washed thoroughly to a point that it will skin cleanly. Oxlips will have a pinkish color.
Tripe, Scalded	Product can be from any native carcass, either graded or ungraded. Product must be from the original shipper. The paunch with or without the "honeycomb" reticulum shall be scalded and washed absolutely free of any foreign material and bleached with an FSIS approved bleaching solution. The color may range from white to a light pale yellow. The dark internal lining shall be removed.
Tripe, Scalded (Cow)	Product can be from any native carcass, either graded or ungraded, including Holstein. Product must be from the original shipper. Only Tripe from cow carcasses acceptable. The paunch with or without the "honeycomb" reticulum shall be scalded and washed absolutely free of any foreign material and bleached with an FSIS approved bleaching solution. The color may range from white to a light pale yellow. The dark internal lining shall be removed.
Honeycomb Tripe	Product can be from any native carcass, either graded or ungraded. Product must be from the original shipper. Honeycomb tripe is the tripe from the reticulum or second stomach of ruminant animals. It derives this name from the honeycomb appearance created by the numerous ridges that separate a network of cells in a compartment within the reticulum.
Honeycomb Tripe (Cow)	Product can be from any native carcass, either graded or ungraded including Holsteins. Product must be from the original shipper. Only Honeycomb Tripe acceptable from cow carcasses. Honeycomb tripe is the tripe from the reticulum or second stomach of ruminant animals. It derives this name from the honeycomb appearance created by the numerous ridges that separate a network of cells in a compartment within the reticulum.





## Contact us

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