

January 2007

# **GIPSA Livestock and Meat Marketing Study**

Contract No. 53-32KW-4-028

## **Glossary Final Report**

Prepared for

**Grain Inspection, Packers and Stockyard Administration**  
U.S. Department of Agriculture  
Washington, DC 20250

Prepared by

**RTI International**  
Health, Social, and Economics Research  
Research Triangle Park, NC 27709

RTI Project Number 0209230





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RTI International is a trade name of Research Triangle Institute.

*This report and the study on which it is based were completed under a contract with the Grain Inspection, Packers and Stockyards Administration (GIPSA), U.S. Department of Agriculture (USDA). Any opinions, findings, and conclusions or recommendations expressed in this report are those of the authors and do not necessarily reflect the views of GIPSA or USDA.*

# Glossary

This glossary provides definitions of terms developed for use in the study. In some cases, definitions for these terms are readily available in the literature; in other cases, working definitions were developed based on information collected during the study and discussions conducted with industry participants.



Term	Stage of Production <sup>a</sup>	Definition
Alliances	All	Relationship formed by two or more industry participants to meet common production or marketing objectives and to improve information flows.
Alternative procurement (purchase) methods	All	See AMA.
Alternative sales methods	All	See AMA.
AMA	All	Alternative Marketing Arrangement: Purchase or sales methods other than the cash or spot market. These include procurement or marketing contracts, production contracts, forward contracts, marketing agreements, packer-fed/owned arrangements, custom feeding/backgrounding, and custom slaughter.
Backfat	Producer, packer	Average fat thickness, measured in inches or millimeters, between the 3rd and 4th rib from the last rib, 7 centimeters from the carcass split.
Backgrounding	Producer	The process of keeping ruminant animals on pasture or range for grazing before moving them into a feedlot.
Barrow	Producer	A male pig castrated before it reaches sexual maturity.
Benchmarking	All	Comparing the base price used in the formula to some market or reported price or comparing the current pricing arrangement to bids from other companies that entities buy from.
Boxed meat	All	Meat that has been cut into primals or subprimals, vacuum packed, and placed into boxes (e.g., boxed beef).
Branded	Packer, processor, downstream	Product sold with a national, regional, or store brand name.
Breaker	Processor	Meat processors that specialize in breaking down carcasses but do not slaughter (most common in the lamb industry).
Bundling	Packer, processor, downstream	Buyer must purchase other related products to receive a lower price.
By-products	Packer, processor, downstream	Hides (pelts), offals, bones, grease, and all other beef, lamb, or pork products <i>not</i> included in fresh, frozen, or processed meat.
Carcass	All	The dressed or slaughtered animal consisting of the skeleton with its attendant muscle and fat.
Carcass merit pricing	Producer, packer	Prices are adjusted by premiums or discounts based on characteristics of the carcass, such as lean percentage, weight, backfat thickness, and loineye depth (also known as grid pricing).
Carcass weight	Producer, packer, processor	Dressed or rail weight.
Case ready	Packer, processor, downstream	Meats packaged in a centralized facility and shipped to supermarkets for display in refrigerated cases.
Cash or spot market	Packer (sales), processor	Purchasing (selling) product directly from (to) a seller (buyer) less than 3 weeks forward at list or negotiated price, including any specified discounts or premiums.

(continued)

<b>Term</b>	<b>Stage of Production<sup>a</sup></b>	<b>Definition</b>
Cash or spot market	Producer, packer (purchases)	Purchasing (selling) livestock through direct trade, auctions, or dealers within 2 weeks of delivery or kill date.
CBOT	Producer, packer	Chicago Board of Trade: a company that facilitates the trade of futures market contracts, particularly crop commodities.
Certification programs	All	Programs that certify livestock breed, carcass characteristics, product (meat) characteristics (e.g., Kosher), or product-processing method.
CME	Producer, packer	Chicago Mercantile Exchange: a company that facilitates the trade of futures market contracts, particularly livestock commodities.
Combo	Packer, processor, downstream	Large bins constructed of cardboard and plastic used to carry bulk meat products.
Cooperative	Producer, packer	A formal group of individual producers that joins together for collective purchasing, marketing, or other related activities.
Cow	Producer, packer	Female bovine that has given birth to at least one calf.
Cow-calf operations	Producer	Operations that specialize in maintaining a cattle breeding herd for the production of beef calves.
Custom processing or copacking	Processor	Processing of meat products by a manufacturer other than the company whose name appears on the product label. Examples include outside contracting and private labeling.
Custom slaughter	Producer, packer	Providing slaughter services for a fee (also known as toll kill).
Direct trade	All	Cash- or spot-market transaction between an individual buyer and seller of livestock (pork producers: including buying stations) within 2 weeks of delivery or kill date, or between an individual buyer and seller of meat within 3 weeks of delivery.
Dressed weight	Producer, packer	Weight of an animal carcass (also known as carcass weight or rail weight).
Dressing percentage	Producer, packer	Percentage of an animal's liveweight that results in dressed weight; calculated as dressed weight divided by liveweight (also known as yield percentage).
Evergreen	All	Agreement or contract that continues indefinitely until either party decides to terminate.
Ewe	Producer, packer	Mature female sheep.
Ewe-lamb producer	Producer	Producers who maintain a sheep-breeding herd for the production of lambs.
Exclusive dealings	Packer, processor	Requirement in which a buyer is prohibited from buying and selling the same products from another supplier.
Exclusive dealings	Downstream	Requirement in which a buyer is prohibited from buying and reselling the same products from another supplier.
Fabrication	Packer, processor	Fashioning one or more pieces of meat into an end or intermediate meat product.
Farrow-to-wean operations	Producer	Operations that specialize in maintaining a swine-breeding herd for the production of weaner pigs.
Fat-o-Meat'er	Packer	A type of optical probe used in the pork industry to estimate the lean percentage of a carcass.

(continued)

Term	Stage of Production <sup>a</sup>	Definition
Fed livestock	Producer, packer	Livestock raised specifically for the production of fresh meat products that are ready for slaughter (also known as finished, slaughter, or market animals), such as finished cattle, slaughter lambs, market hogs.
Feeder livestock	Producer	Livestock raised specifically for the production of fresh meat products that are ready to enter the final stage of production (also known as stockers)
Feeders	Producer	Individuals that operate feedlots.
Feeder-to-finish operations	Producer	Swine operations that specialize in raising pigs from feeder pigs to finished hogs.
Feedlot	Producer	A location where cattle and sheep are fed a high-energy ration in preparation for slaughter (also known as feedyards).
Finished livestock	Producer, packer	See fed livestock.
Finishing operation	Producer	A location where hogs are fed a high-energy ration in preparation for slaughter.
Flat pricing	Downstream	Buyer and seller agree to a specific dollar per pound for a specified time period.
Floor and ceiling pricing	Downstream	Agreed upon purchase (sales) price increases and decreases with market prices but has a lower limit and an upper limit for a specified time period.
Food service establishment	All	Restaurants, hotels, institutions, or other food service establishments located in the United States.
Foreign buyers	All	Foreign distributors, retailers, or food service.
Formula pricing	All	Using another price as the base for the purchase (sale) of livestock (product) (e.g., USDA price). (Producer: The formula can include grid or nongrid values.)
Forward contract	Producer	Oral or written agreement between a buyer (packer) and seller for the <i>future</i> purchase of a specified quantity of livestock at either a fixed or base price more than 2 weeks before delivery or kill date.
Forward contract	Packer	Oral or written agreement between a buyer (packer) and seller for the <i>future</i> purchase of a specified quantity of livestock at either a fixed or a base price. Contract is entered into at any time between placement of livestock on feed and 2 weeks before kill date or delivery.
Forward contract	Processor, downstream	Oral or written agreement between a buyer and seller for the <i>future</i> purchase of a specified quantity of livestock (product) at either a fixed or base price.
Further processing	Packer, processor	Activities beyond fabrication of primals, subprimals, and cuts (e.g., grinding, cooking, and curing).
Futures contract	Producer, packer	An agreement to buy or sell a commodity at a future date in accordance with contract terms.
Futures markets	Producer, packer	Exchange where futures contracts are traded under formal and regulated conditions.
Futures price	Producer, packer	Commodity prices determined in a futures market.
Gilt	Producer	Female swine that has not given birth to a litter of pigs. <sup>p</sup>
Grid	Producer	Prices are adjusted by premiums or discounts for specific carcass-quality characteristics, such as grade and yield.

(continued)

Term	Stage of Production <sup>a</sup>	Definition
Grid pricing	Packer	Prices are adjusted by premiums or discounts for specific carcass-quality characteristics, such as grade and yield.
Ground, including trimmings	Packer, processor, downstream	Raw meat that has been ground but has not received any additional processing, including case-ready ground product.
Grower	Producer	Individual who raises animals (typically used in reference to a hog grower).
Heifer	Producer, packer	Young female bovine that has not had a calf. <sup>c</sup>
Hot weight	Producer, packer	Weight of a carcass before it has been chilled (also known as carcass or rail weight).
Individually negotiated pricing	All	Negotiations between a buyer and seller, <i>excluding</i> negotiated formula pricing.
Internal transfer	Producer	Transfer of livestock to (from) another business unit owned by the same company (not including packer fed/owned).
Internal transfer	Packer (procurement)	Transfer of packer-owned livestock from a feedlot (finisher) to the slaughter plant.
Internal company transfer	Packer (sales), processor, downstream	Transfer of product to (from) another business unit owned by the same company.
Isowean pigs	Producer	Pigs that have been weaned from a sow early and placed into a nursery
Joint venture	All	A business and one or more other businesses joining together under a contractual agreement for a <i>specific</i> venture, such as use of specific animal genetics or brand names.
Lean percentage	Producer, packer	Value equal to the average percentage of the carcass weight comprising lean meat.
Loin depth	Producer, packer	Average muscle depth, measured in inches, between the 3rd and 4th rib from the last rib, 7 centimeters from the carcass split.
Loin-eye area	Producer, packer	Surface area, in square inches, of the <i>Longissimus dorsi</i> muscle at the 10th rib of a pork carcass.
Marketing agreement	All	<i>Long-term</i> oral or written agreement between a buyer and seller where a buyer agrees to purchase product under specific terms (processor: including preferred vendor programs).
Marketing contract	Producer, packer	See procurement contract.
Matrix	Producer, packer	See grid.
Meat	All	Edible part of muscle from cattle, sheep, or swine-dressed carcasses (excludes offal and by-products).
MPR	Producer, packer	Mandatory Price Reporting: a program operated by the USDA-Agricultural Marketing Service for the reporting of information regarding the marketing of cattle, swine, lambs, and livestock products from beef packers slaughtering 125,000 head, pork packers slaughtering 100,000 head, lamb packers slaughtering or processing 75,000 head, and lamb importers importing 5,000 metric tons annually.
Mutton	All	Meat from mature sheep.

(continued)

Term	Stage of Production <sup>a</sup>	Definition
National or regional brand	All	Brand that is sold by various retailers throughout the country or in a specific region.
No roll	Packer	Carcasses that were not federally graded because of low quality.
Nurseries	Producer	Swine operations that specialize in raising pigs from isoweans to feeder pigs.
Offal	Packer	Viscera removed at slaughter.
Or-better pricing	Downstream	Buyer and seller agree to a specific dollar per pound for a specified time period; however, if the market price decreases over the time period, then the purchase (sales) price decreases as well.
Outs and culls	Producer, packer	Atypical livestock that have been sorted out because of poor quality.
Packer fed/owned	Producer	Livestock are owned by the packer and fed for slaughter at either a custom feedlot or a packer-owned or controlled feedlot (or company-owned farms).
Packer fed/owned	Packer	Transfer of packer-owned livestock from either a custom feedlot or a packer-owned or controlled feedlot.
Partner arrangement	Producer	Arrangement between two parties at the same level of production for the purchase of livestock.
Pay weight	Producer, packer	Weight used to calculate payment (e.g., liveweight minus shrink).
Pelt	Packer	Hide with wool removed from sheep at slaughter.
Portion cuts	Packer, processor, downstream	Steaks, chops, and other cuts of meat that have been cut to uniform sizes or weights and packaged in bulk.
Price list	All	Using a seller's price list without negotiation.
Primal cuts	Packer, processor, downstream	Groups of muscles from the same area of the carcass; also referred to as wholesale cuts (e.g., beef loin, beef chuck).
Private label brand	All	Product brand that is sold exclusively by one retailer.
Processed meats	Packer, processor, downstream	Meat products that were produced from carcass meats by drying, curing, smoking, cooking, or other similar practices (e.g., cold cuts, sausages, ham, bacon).
Processed, not ready to eat	Packer, processor, downstream	Meat products that have received further processing and require cooking to achieve food safety (e.g., partially cooked meat patties).
Processed, ready to eat	Packer, processor, downstream	Meat products that have received further processing and do <i>not</i> require cooking to achieve food safety (e.g., lunch meats, cooked sausages, and precooked meat).
Processing	Packer, processor, downstream	Manufacturing meat products from carcass meats by drying, curing, smoking, cooking, or other similar practices.
Procurement or marketing contract	Producer, packer	Formal agreement specifying the terms for the ( <i>future</i> ) transfer of livestock between a seller and buyer using a prespecified price or payment formula.
Production contract	Producer, packer	Formal agreement between a packer or integrator and grower for the production and delivery of pigs or hogs (market hogs) where the ownership of the animals (hogs) is retained by the packer or integrator and the grower gets compensated for housing and husbandry.

(continued)

<b>Term</b>	<b>Stage of Production<sup>a</sup></b>	<b>Definition</b>
PSE	Producer, packer	Pale, Soft, Exudative: a condition, most frequently found in pork, in which meat is very light in color, has a soft texture, and a high degree of drip loss.
Quality grade	Producer, packer	Assessment of meat palatability determined by a USDA inspector who evaluates the carcass. The most common beef quality grades are Prime, Choice, and Select. Choice is the most common lamb quality grade. Pork grades are numbered 1 through 4 but are seldom used.
Retail cuts	Packer, processor, downstream	Steaks, roasts, chops, ground meat, and other products sold from refrigerated cases by retail food stores and specialty meat shops.
Retail establishments	All	Grocery stores, meat markets, warehouse clubs, or other retail establishments located in the United States.
Sales method	All	Transfer of product from a plant's physical location to another physical location, including internal product transfers to another business unit owned by the same company.
Sealed bid	All	Price is determined by a sealed bidding process between multiple buyers and sellers.
Shackle space	Producer, packer	Refers to the hooks used to hang carcasses on the slaughter line; the space occupied by a carcass in a slaughter plant
Shared ownership	All	Arrangement in which the original owner and an operation (business) both retain partial ownership of livestock or meat products (that is, a vertical arrangement).
Shrink	Producer, packer	Loss in weight of live animals during transport or moisture loss in meat products.
Slide	Producer	Adjustment made to prices based on an animal's weight relative to a target weight.
Sort loss	Producer, packer	Average discount, in \$/cwt, for hogs slaughtered that are outside the packer's established carcass weight range or lot variation range.
Sow	Producer	Female hog that has given birth to at least one litter of pigs.
Steer	Producer, packer	Male bovine castrated within the first six months from birth.
Subprimal cuts	Packer, processor, downstream	Smaller cuts of meat taken from primal cuts, but from which even smaller cuts can be made (e.g., beef sirloin, beef chuck arm half).
Swine integrator	Producer, packer	Business that owns or contracts with producers or other businesses to perform specific steps in the swine production process, such as breeding and birthing, nursery care, growing and finishing, transportation, processing, and marketing.
Trimming	Packer, processor	Small portions of meat and fat removed from larger meat cuts.
Two-part pricing	Packer, processor, downstream	Pricing that includes a fixed payment (e.g., slotting allowance) and a per-unit price.
USDA Process Verified	All	Suppliers are able to make marketing claims—such as breed, feeding practices, or other raising and processing claims—and market themselves as “USDA Process Verified.”
Volume discounts	Packer, processor, Downstream	Pricing in which larger shipments have lower per-unit prices.

(continued)

<b>Term</b>	<b>Stage of Production<sup>a</sup></b>	<b>Definition</b>
Weaned pigs	Producer	Pigs that have been removed (weaned) from the sow.
Weaner-to-feeder operations	Producer	Swine operations that specialize in raising pigs from weaned pigs to feeder pigs.
Yield grade	Producer, Packer	Assessment of a carcasses cutability determined by a USDA inspector who evaluates the carcass. Yield grades are numbered 1 through 5, with 1 providing the most edible percentage and 5 the least.
Yield percentage	Producer, Packer	See dressing percentage.

<sup>a</sup>Downstream includes wholesalers, exporters, food service establishments, and retailers.

<sup>b</sup>In some cases, "gilt" may include young female swine that have had one litter.

<sup>c</sup>In some cases, "heifer" may include young female bovine that have had one calf.

Source: Some of the definitions were derived from: Urner Barry's Yellow Sheet. A Glossary of Meat Industry Terms. Bayville, NJ: Urner Barry Publications, 2004.