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Farmers And Their Feed Buying Activity

(A summary report of research done at the Purdue University Agricultural Experiment Station by H. F. Krueckeberg and R. L. Kohls).

Basic data were collected by personal interview of 95 farmers who purchased feed in three widely separated communities (Areas 1, 2, 3) in 1959 and of 48 farmers, (Area 4) in 1958. The areas were largely general farming areas where hogs were the most important enterprise, in one (Area 2) dairy and poultry enterprises were important.

In all areas, two-thirds or more of the feed was purchased from elevator outlets; feed stores and direct salesmen were minor sources.

Within the shopping area of each farmer were 13 to 17 different feed sources handling 6 to 9 different brands (five brands were common to each area).

Farmers were classified into large, medium and small feed buyers based upon their 4 week purchase volume in May, 1959. Large buyers bought on an average of 4 ton during this period; medium buyers, 1,500 lbs., and small buyers, 600 lbs.

The following is divided in three parts: I. Some Summary Observations; II. Details on Farmers Feed Purchasing Activities, and III. Details on Farmers Selection of a Particular Feed Source. Many will wish to examine the details of Parts II and III at their leisure as they think through the implications of these findings to their operations.

I. Some Summary Observations

1. Farmers tend to buy their feed from one source which was close by and have a limited concept of sources available to them (Table 1). They tend to be rather loyal customers once they have chosen where to do business (Table 2). Feed business is not too closely linked to other types of activity such as selling grain or purchasing other kinds of supplies (Table 3). These facts indicate that the feed business must stand on its own feet and to substantially expand a trade territory of a particular dealer will take considerable effort to offset the farmers apparent "proneness to nearness."

2. Farmers tend to have a limited knowledge of the various aspects of their particular dealer's operation (Table 4). In fact, though dealers believe there is considerable difference between themselves and their competitors (Table 6), farmers hold the picture that various feed dealers are just about alike in most ways (Table 5). The farmer's most widely used sources of feed information are not directly connected with the feed dealer or manufacturer (Table 7). These facts indicate either that most feed outlets are about similar in their competitive operations to each other, or if they are different, little impact has been made on farm customers. If dealers believe they have something unique, they cannot assume that this information is automatically transferred to customers.

3. There apparently is no one over-riding reason why a farmer selects a particular outlet. Factors of location, product, price, service and management all enter into the picture (Tables 9 and 10).

Table 2. Extent of Loyalty Which Farmers in Four Indiana Communities Had to Their Feed Sources.*

Degree of Loyalty to one Dealer	Area	Percent of Farmers
Farmers who have traded at one place for at least 8 years	1	56
	2	63
	3	72
	4	48
	Average, all farmers	58
Farmers who have changed source in past 8 years	1	28
	2	15
	3	21
	4	29
	Average, all farmers	24
Farmers using two or more sources for feed	1	16
	2	22
	3	7
	4	23
	Average, all farmers	18

* The average farmer had been partronizing his feed source for 12 years. Half of the farmers indicated that management had changed and 13% indicated that brand of feed had changed during the time of their doing business at a particular place.

Table 3. Extent to Which Indiana Farmers Used Their Feed Source as a Place to Buy Other Supplies and Sell Grain (Areas 1, 2, 3 only)

	Percent of Farmers
Percent of other supplies purchased at feed source:*	
0- 33	38
34- 67	33
68-100	29
Portion of grain sales made to feed source:**	
None	31
Part	25
All	44

* Lumber and building supplies, fence, posts, week sprays, santiation products, seed, waters, fertilizer. Four out of five available feed sources sold most of these supplies.

** Eight out of ten feed customers did sell some grain during the previous year.

Table 6. Opinions Held by the Dealers Serving Farmers in Three Indiana Communities As to the Differences Existing Among Their Competitors.*

	Opinion of Differences				
	"A lot"	"Some"	"None"	"Do not Know"	Total
	Percent of Dealers				
Speed and ease of grinding and mixing	35	41	18	6	100
Quality of feed	41	18	41	0	100
Prices of feeds	29	24	47	0	100
Credit and terms of sale	18	41	41	0	100
Special discounts	18	41	41	0	100
Willingness of dealer to help in feed and feeding problems	18	29	53	0	100
Convenience of location to other shopping facilities	6	35	59	0	100
Honest and fair dealing	0	23	77	0	100
Prices charged for grinding and mixing	0	17	77	6	100

* Data was not available for the 1958 area studied.

Table 7. Uses Made by Farmers in Four Indiana Communities of Various Sources of Feed Information

	Use Made of Source			
Source of Information	"Frequent"	"Now and then"	"Seldom or never"	Total
	Percent of Farmers			
Articles in farm magazines	56	35	9	100
Visiting with neighbors	27	50	23	100
Feed bulletins available at dealers	35	35	30	100
Ads in newspapers, magazines	29	38	33	100
Dealers and salesmen	31	26	33	100
Radio and television	19	37	44	100
University bulletins and field days	21	23	56	100
County extension agents	7	24	69	100

Table 10. Reactions of Farmers in Three Indiana Communities to Situation – Action Questions.

"Let us imagine that for some reason one of the following changes would occur at your dealer while all other conditions remained unchanged. What would be your reaction to such a change?"

Situation Change	Reaction of Farmer About Doing Business: Indefinite continuation	Continue "at least for a while"	Change dealer immediately
		Percent of Farmers	
Prices of feed dealer increases but not at other sources	10	17	73
Location moved farther away	44	30	26
Change a brand being handled	20	56	24
Manager changed	25	71	4
All credit provisions were cancelled	40	32	28

Table 11. Relationship of Size of Feed Purchase To Reasons Given by Farmers for Selection of Their Feed Source.

Classification of Farmer	Primary Reason Given For Dealer Choice: Location	Brand	Service	Management	Price
			Percent of Farmers 1/		
Small Purchasers	39	32	5	6	2
Medium Purchasers	21	16	21	10	5
Larger Purchasers	21	21	13	13	16
All	28	25	10	10	8

1/ Will not add to 100 since all the minor reasons are given in Table 2 were not included.