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AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

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University Farm, St. Paul, Minnesota

SOME INTERNAL PROBLEMS OF LIVESTOCK SHIPPING ASSOCIATIONS

Prepared by D. C. Dvoracek

Since the first livestock shipping association was organized at Litchfield in 1908, methods of marketing livestock have changed materially. At that time, livestock was driven or hauled by wagon to the local shipping point, thus definitely limiting the area served by local associations. With the construction of hard surfaced roads in the last decade and the consequent development of motor truck transportation, the farmer is offered a wider choice of markets. This tended to break up the formerly well defined areas tributary to each shipping point and introduced more competition among the various markets. The World War gave an impetus to the development of smaller packers and the growth of packing plants nearer the source of supply of livestock. This latter development increased direct buying of livestock (particularly hogs) from farmers by packer buyers, giving further impetus to trucking as a means of transporting livestock. Trucking has introduced a service of convenience to the farmer by taking the livestock from the farmer's feedlot and delivering it to the local shipping point, the terminal market or the packing plant in the shortest possible time with minimum effort on the part of the farmer. All of these developments have had a vital effect on some local shipping associations with the result that their volume of business has been decreased to such an extent that approximately 160 Minnesota associations actively shipping livestock have ceased operations during the past ten years.

This naturally raises the question whether cooperative shipping associations have been adapting their internal organization or set up to meet these changing conditions and what changes may need to be made to enable them to continue to render service sufficient to justify and ensure their existence. There can be no question from the standpoint of the farmer of his need for such or similar organizations to serve him or act for him as the first step in an organized scheme of livestock marketing.

Most of the internal difficulties of shipping associations may be traced directly or individually to the small volume of business handled by the average association in some communities in recent years. This is due not to a decrease in livestock population in each market area, but to the fact that the associations are not getting as large a proportion of the business within their territory as they formerly did. They have not met successfully the competition of the independent and packer buyers, truck buyers, and have also definitely entered into competition with other shipping associations.

Volume is necessary for the efficient operation of shipping associations. They, as well as other types of cooperative associations with small

volume, can employ only part time managers who may not have the necessary ability and experience needed to meet the present keen competition. To ensure larger volume it may be necessary to consolidate a number of shipping associations under one management, with the main shipping point at a station near the center of livestock population with the best rail and truck transportation facilities available. Such an association could arrange with private truckers for their services, and plan their routes to ensure full loads or operate trucks of their own and hence lower trucking costs to the farmers. With a larger volume, more frequent and regular shipments could be made and mixed and light cars reduced to the minimum. Grading hogs would be possible if found to be desirable.

A larger association could keep in closer touch with market conditions at lower cost per unit of volume and be able to keep its patrons in closer contact with the markets.

At present, the livestock shipping association is perhaps the most loosely organized of all cooperatives. It requires no stock subscription and has only a nominal membership fee, if any. Hence the farmer feels no serious obligation for its financial success. This tends to make him think of it merely as another marketing outlet with which he can dicker for a better price. He does not always appreciate or recognize the cooperative principle that this type of association pays him what his livestock brings less the actual cost of marketing with a slight deduction for a reserve to serve as insurance. He knows he pays the manager a commission but may not realize that the rate of commission is fixed and hence he pays only in proportion to the volume of livestock shipped. Hence the volume of business is not dependable with resulting difficulty or inability to make regular shipments economically. To overcome this looseness of organization, associations may well consider membership agreements that would at least emphasize obligation to ship thru the association. Along with this should go education and demonstration that in the long run it will pay him to stay with his organization.

The simplicity of organization, the absence of capital and payments of dividends, the handling of each shipment as an isolated transaction, frequently results in the keeping of indifferent or inadequate records. The very fact that the records needed are relatively simple, encourages carelessness. The small volume handled tends to minimize the importance of keeping complete and accurate records. Changes in management adds variety to record keeping methods. While the methods used should be as simple as possible, and require the least possible time, the records should be complete enough not only for the preparation of an annual statistical statement and balance sheet, but also to permit study and comparisons of the business done from year to year, suggesting improved practices that will net the producer more money for his product and attract business.

The forms necessary for a complete and adequate system of accounting records include scale tickets, shipping manifest, prorating sheet, and member statement and check voucher. The forms should be kept accurately and placed in a separate file or envelope for each shipment. A complete shipment summary should be made showing such facts as will be needed for the compilation of a monthly and annual statement of business and financial standing. This shipment summary should be entered in a permanent form in the shipment summary record. A cash journal should be kept to provide an accurate record of money handled and permit the preparation of a monthly and annual business statement and act as a guide to improvement of operating practices. An accurate and complete system of records inspires the confidence of patrons and attracts a permanent and dependable volume of business. Assistance in setting up such a system is given by the Agricultural Extension Division of the University of Minnesota.

The method of prorating returns and expenses of shipment presents problems, the details of which cannot be discussed in this brief statement. In general, market price should accurately reflect market grade, and should be adjusted by the local manager only as it is necessary to reflect value according to his more detailed knowledge of individual lots of livestock. He should adjust the market price according to his record of individual animals or lots, as indicated on his scale tickets. Excessive fill should be indicated on scale tickets and the necessary allowances made in shrinkage. The expense rate should be based on the weight and should be the same on different lots of the same species or kind in the same shipment whether figured at flat rate or on actual expense per hundred weight. Expense rates should not be juggled to reflect difference in value, as is apparently sometimes done. Mixed cars present some difficult problems in prorating which must be left largely to the good judgment and common sense of the manager for solution.

Record keeping is necessarily becoming more complicated with the increasing variety of kinds of shipments. An association may ship by rail or truck to a terminal market or direct to a packer with different rates for each. It may furnish transportation by truck and deduct that expense from the market returns, or the farmer may pay the trucker direct. Farmers may deliver their own stock to a packer but ship in the name of the association to take advantage of the greater bargaining power of the association. Even the local expense and the manager's commission are not always fixed or uniform. In order to handle livestock under these various conditions, it is all the more necessary that accurate and complete records be kept to assess accurately and equitably the cost of services rendered by the association and reflect the true net value to the producer for his livestock. Only by such records will it be possible to devise ways and means of dealing justly and satisfactorily with the conditions met in the changing methods of livestock marketing.

Trucking of livestock seems to be a permanent development, and presents problems shipping associations must study. If farmers demand trucking service, and are willing to pay for it, associations must consider whether they cannot be of service by providing truck transportation at a lower cost either by owning trucks or contracting with truck owners. Farmers must appreciate that trucking has a tendency to deprive them of the bargaining power which they have as patrons of a shipping association and may introduce practices that may not work to their advantage. Where shipping associations no longer exist, it may be desirable to organize district or county livestock associations to direct livestock marketing for their members in an organized way.

If livestock shipping associations are to continue to render the valuable service they have given in the past, they must follow changing conditions and adapt their internal set up not only to conform to such changes but also to be in a position to assume definite leadership in meeting the problems of livestock marketing.

MINNESOTA FARM PRICES FOR SEPTEMBER 1931
Prepared by A. E. Erickson

The index number of Minnesota farm prices for the month of September 1931 was 54.6. When the average of farm prices of the three Septembers of 1924-25-26 is represented by 100, the indexes for September of each year from 1924 to date are as follows:

September 1924 -	93.6
" 1925 -	102.7
" 1926 -	102.8
" 1927 -	99.5
" 1928 -	101.0
" 1929 -	109.7
" 1930 -	83.6*
" 1931 -	54.6*

*Preliminary

The price index of 54.6 for the past month is the net result of decreases in the prices of farm products in September 1931 over the average of September 1924-25-26 weighted according to their relative importance. These decreases range from 66 per cent to 19. The products ranked according to the size of their percentage decreases in this comparison are shown in the following list:

Principal Farm Products which Showed Price Decreases in
September 1931 when Compared with the Average Prices
in September 1924-25-26
(listed in descending order of percentage change)

Decreases: Rye, corn, wheat, oats, lambs-sheep, hogs, eggs, potatoes, barley, flax, butterfat, milk, hay, chickens, cattle, calves.

Although the Minnesota index for September 1931 does not measure price changes from August 1931, a comparison of month to month changes in price has been made. The increases range from 16 per cent to 1, and the decreases from 50 per cent to 3. The products ranked according to the size of their percentage increases or decreases in September 1931 over August 1931 are shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases
in September 1931 when Compared with August 1931
(listed in descending order of percentage change)

Increases: Butterfat, calves, barley, wheat, hay, eggs, milk.

Decreases: Potatoes, hogs, lambs-sheep, corn, flax, chickens, cattle.

No change: Oats, rye.
