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F.W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

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Prepared by the Division of Agricultural Economics
University Farm, St. Paul, Minnesota

COOPERATIVE TRUCKING OF LIVESTOCK

Prepared by E. C. Johnson and S. T. Warrington

The improvement of roads and trucks during the last ten years has resulted in a great increase in the use of trucks as a means of transporting livestock to the market. At present, a majority of the livestock marketed by Minnesota farmers moves to market in trucks. The records of the Union Stock Yards Company at South St. Paul show that in 1935 trucks delivered 49.9 per cent of the cattle, 77.5 of the calves, 84.6 of the hogs, and 30.7 of the sheep received at that market.

This increase in the use of trucks for transporting livestock has been an important factor resulting in a decline in the number of cooperative livestock shipping associations. For many years a large share of the livestock sold by farmers in Minnesota was marketed by cooperative livestock shipping associations. Thus in 1920 there were 641 such associations in operation in Minnesota, but at present less than half of this number are in operation. A survey made by the Division of Agricultural Economics in 1935 listed 325 active cooperative shipping associations in the state, and the volume of livestock handled by some of these was very small. Cooperative livestock shipping associations were built on the basis of using the railroad for transportation. The convenience of the truck, however, appealed to farmers and as trucks increased in number and the service improved, associations shipping by rail found it increasingly difficult to maintain the volume of business necessary for regular shipments of livestock. Many associations, particularly those located within one hundred miles from the South St. Paul market, ceased operations but in some cases the associations changed their operations to cooperative trucking.

In the fall of 1928 a group of farmers living near Upsala, Minnesota, an inland town one hundred miles northwest of South St. Paul, organized the first cooperative livestock trucking association in Minnesota. This group of farmers purchased a truck for hauling their own livestock to South St. Paul and in addition trucked for a nearby association, the Elmdale Shipping Association, during 1929, 1930 and 1931. The Elmdale Association later purchased a truck for its own use. From this beginning, cooperative livestock trucking grew slowly, and it was not until 1935 when the Central Cooperative Association of South St. Paul began assisting shipping associations in acquiring trucks that reorganization for trucking took place on an extensive scale. There are now probably about one hundred livestock shipping associations in Minnesota which have purchased or leased trucks for transportation of livestock.

A survey was made of fifteen cooperative trucking associations in the fall of 1935. Twelve of these associations had begun trucking of livestock during 1935. Only three of the fifteen were new associations, twelve of them having been associations shipping by rail. All of the associations were incorporated under the cooperative laws of Minnesota and ten of the associations merely amended their articles of incorporation to permit them to engage in trucking. Two of the old associations adopted new articles of incorporation.

Eight of the fifteen associations studied leased trucks from individual operators. This plan has the advantage of requiring practically no capital. The board of directors selects the trucker whom they feel will give the best service. An agreement is entered into with the trucker, who agrees to provide trucking service for the association at a certain rate, keep all records, issue proper bills of lading, provide insurance for the truck and in some cases cargo, and pay all truck expenses. The members of the association are charged a rate slightly higher than the net rate paid the trucker. This difference provides some income for covering expenses incidental to maintaining an association and earnings above such expenses may be prorated to members. Most of the associations make a charge of from one to one and one-half cents per hundred pounds of livestock for the purpose of accumulating a reserve fund to take care of losses of livestock in transit. These truckers may also haul return loads of merchandise for members but income from such hauling usually goes to the trucker.

The other seven of the fifteen associations included in the survey owned their own trucks. In the purchase of the truck, these associations made a down payment on the truck and obtained a loan for the balance, three of the associations borrowing from the Central Cooperative Association at South St. Paul, three from local banks, and one from an individual. Payments on the loans are made regularly from earnings of the association. The manager of the association is also the driver of the truck and is paid either a fixed amount for each trip to the market or on the basis of a fee per hundred pounds of livestock handled. Managers also receive some income from return loads. In most of the associations, the managers are engaged in farming and devote only a portion of their time to managing the trucking association.

To illustrate the operations of a cooperative livestock trucking association, one might cite the case of an association formerly shipping by rail which began trucking in April, 1935. This association purchased a truck tractor at a cost of \$1040.20 and a semi-trailer with a 20-foot stock rack at \$876.20. The license cost \$34.42, insurance for a year \$148.92, and miscellaneous items amounted to \$18.00, making the initial outlay \$2117.86. The association paid \$500 and borrowed \$1617.86 to be paid on an amortization basis. The association charges 29 cents per hundred pounds for hauling livestock to South St. Paul. During the period April 24 to October 19, 1935, which was the period covered in the survey, this association shipped 377 cattle, 74 calves, 1032 hogs, and 172 sheep, a total weight of 670,747 pounds. Fifty-four loads of livestock were hauled, the average weight per load being 12,421 pounds. The following is a brief operating statement for the period April 24 to October 19, 1935:

Gross income (transporting livestock at 29¢ per cwt.)	\$1945.16
Manager's commission (7¢ per cwt.)	\$469.52
Truck expenses and depreciation:	
Gas and oil	\$494.71
Greasing, repairs, etc.	28.07
Insurance (6 months)	76.32
Interest (\$1617.86, 6 months, 5%)	40.44
Tractor depreciation	130.02
Trailer depreciation	73.00
License (6 months)	<u>17.21</u>
	859.77
Miscellaneous expense	18.00
Deduction for losses in transit reserve	<u>67.07</u>
Total expenses and depreciation	1414.36
Net earnings	530.80

The expense of gasoline, oil, repairs, and greasing amounted to \$0.0245 per mile. The costs of depreciation, interest, insurance, and license were \$0.0158 per mile. The total truck costs per mile, therefore, were \$0.0403. In this connection,

it should be mentioned that the truck unit was new and repairs therefore were low. Also, the period studied does not include the winter months when gasoline consumption per mile is ordinarily the greatest. It should also be mentioned that the hauling is done on concrete road and that the large truck unit is, as a rule, not driven on country roads. In the case of this association, the manager uses a smaller truck which he owns for local pick-up service in return for which he receives the income from return hauls.

In many communities farmers have the opportunity of improving trucking service for livestock hauling by organizing cooperative livestock trucking associations. However, producers will find it advantageous to keep in mind certain fundamentals essential for success in cooperative trucking. These fundamentals are discussed briefly below.

1. There must be a need for the association. In some communities private truckers may be providing efficient and dependable service at reasonable rates which probably can not be improved upon by a cooperative association. Organization of a trucking association in such a community may not be feasible. On the other hand, in communities where the service of private truckers is not efficient and dependable, cooperative trucking may be the solution. Also in some communities, and this is true particularly of communities more distant from the market, transportation by rail may be more convenient and more economical. In the latter communities, strong livestock shipping associations for shipment by rail can probably be maintained by providing a local truck pick-up service and by shipping regularly.

2. There must be sufficient volume of livestock marketed to permit efficient operation of the truck. Certain costs in truck operation like interest, license, insurance and even depreciation are more or less fixed and do not vary with volume. Such costs per hundred weight of livestock will decrease with increases in volume handled. There must be sufficient volume to keep the truck operating most of the time and this volume should be obtained from within a reasonable distance in order to hold pick-up costs at a minimum.

3. The association must be managed by a competent manager. The manager must understand livestock grades and prices and be in a position to assist members by providing information on prices and outlets for livestock. Since the manager also drives the truck, he must be able to stand the rigorous physical strain of driving a truck long distances. To obtain the service of a competent manager, the members must be willing to pay the salary or commissions necessary to attract men of ability. Efficient management also involves the keeping of complete and accurate records.

4. The correct type of organization is essential. Cooperative livestock trucking associations will have greater opportunity for obtaining the necessary volume of livestock and establishing themselves as permanent organizations if they are built from the ground up. This means that farmers should be induced to support an association of this type before it is finally organized. In many cases, it will be necessary to sell memberships or shares of stock for the purpose of obtaining capital necessary for the purchase of a truck. In other cases, it may be more satisfactory for the association to lease a truck.

5. Attention must be given to the opportunities for income from return loads. Running an empty truck is expensive and the most efficient associations usually haul products for members when returning from the market. In some communities cooperative trucking will be most efficient if it develops in the form of a general trucking association rather than as an association organized primarily for livestock marketing.

MINNESOTA FARM PRICES FOR MARCH 1936
Prepared by W. C. Taito and W. B. Garver

The index number of Minnesota farm prices for the month of March 1936 was 81.5. When the average of farm prices of the three Marches 1924-25-26 is represented by 100, the indexes for March of each year from 1924 to date are as follows:

March 1924 - 84	March 1931 - 68
" 1925 - 105	" 1932 - 47
" 1926 - 111	" 1933 - 36
" 1927 - 109	" 1934 - 55
" 1928 - 101	" 1935 - 86*
" 1929 - 108	" 1936 - 82*
" 1930 - 97	

*Preliminary

The price index of 81.5 for the past month is the net result of increases and decreases in the prices of farm products in March 1936 over the average of March 1924-25-26 weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index,
March 15, 1936, with Comparisons*

	Mar. 15, 1936	Feb. 15, 1936	Mar. 15, 1935	Av. Mar. 1924-25- 26	% Mar. 15, 1936 is of Feb. 15, 1936	% Mar. 15, 1936 is of Mar. 15, 1935	% Mar. 15, 1936 is of Mar. 15, 1924-25-26
Wheat	\$1.01	\$1.03	\$.96	\$1.31	98	105	77
Corn	.45	.45	.77	.65	100	58	69
Oats	.22	.22	.50	.35	100	44	63
Barley	.41	.40	.84	.59	103	51	69
Rye	.41	.44	.55	.75	93	75	55
Flax	1.57	1.64	1.61	2.32	96	98	68
Potatoes	.50	.46	.35	.83	108	143	60
Hogs	9.50	9.60	8.60	9.60	99	110	99
Cattle	6.40	6.60	6.50	6.38	97	98	100
Calves	8.00	9.50	7.30	8.07	84	110	99
Lambs-sheep	8.76	8.76	7.10	11.39	100	123	71
Chickens	.143	.151	.116	.189	95	123	76
Eggs	.16	.21	.18	.22	77	91	73
Butterfat	.34	.37	.33	.40	92	103	85
Hay	5.63	5.74	17.28	11.49	98	33	49
Milk	1.66	1.72	1.65	1.95	97	101	85

*Except for milk, these are the average prices for Minnesota as reported by the United States Department of Agriculture.

Indexes and Ratios of Minnesota Agriculture*

	Mar. 1936	Feb. 1936	Mar. 1935	Av. Mar. 1924-26
U.S. farm price index	74.0	77.0	77.0	100.0
Minnesota farm price index	81.0	87.0	85.0	100.0
U.S. purchasing power of farm products	95.0	98.0	93.0	100.0
Minnesota purchasing power of farm products	105.0	111.0	104.0	100.0
U.S. hog-corn ratio	16.3	16.8	9.8	12.2
Minnesota hog-corn ratio	21.1	21.3	11.2	15.6
Minnesota egg-grain ratio	14.2	18.2	11.7	12.9
Minnesota butterfat-farm-grain ratio	44.8	49.1	21.1	39.8

*Explanations of the computation of these data are given in Farm Business Notes No. 144.