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F.W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

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COMMUNITY LIVESTOCK AUCTIONS

Prepared by S.T. Warrington, D.C. Dvoracek, and E.C. Johnson

The community livestock auction market is not a new development. Such auctions have been operating in Ohio, Kentucky, Tennessee and other states for several years. However, it is only in recent years that the livestock auction markets have become important in the western corn belt states. A survey made in the spring of 1936 showed that sixteen livestock auctions had been in operation in Minnesota during the previous twelve months. Of this group, two started operations in 1933, four in 1934, five in the first half of 1935, seven in the last half of 1935, and one started in January, 1936. At least two additional auctions have been organized since the survey was made.

Organization and Ownership

Of the sixteen auctions, eleven were owned and operated by individuals and five by partnerships. Many of the first group had started operations with two or more individuals having an interest in the enterprise but had subsequently shifted to individual ownership. Of the eleven individuals owning and operating auctions, four were dealers, two were auctioneers as well as dealers, four were auctioneers, and one was a farmer. Among the five partnerships, one was run by two auctioneers who dealt in livestock, three were operated by an auctioneer and an individual from another profession, and one was operated by an auctioneer-dealer combination.

Facilities

Seven of the sixteen auctions were using county fair buildings, four used remodeled barns, three used industrial buildings, and the other two had specially constructed sales pavilions. The county fair buildings usually provide very satisfactory facilities for handling stock. The remodeled barn, though least expensive, is often unsatisfactory from the standpoint of light, heat and arrangement. The industrial buildings used were ordinarily poorly lighted and poorly arranged. One special sales pavilion provided the most efficient and most satisfactory equipment.

The facilities used by many auction organizations are not satisfactory for proper handling of livestock. The lack of floors in stalls and pens makes cleaning and disinfecting difficult. The sales rings in many cases are not constructed to prevent the crowds from entering the ring, and this hampers the move-

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F. W. Peck, Director, Agricultural Extension Division, Department of Agriculture,  
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ment and inspection of livestock. Many sales rings are improperly lighted, making it difficult to examine properly the livestock at the time of sale. Most auctions are not equipped with scales which means that buyers must estimate the weight of animals. Some animals, such as horses, milk cows, and breeding stock, can be sold to advantage by the head but weights are necessary for satisfactory selling of other classes of market livestock.

### Operation

The differences in volume handled make for difference in procedure, but in general auctions operate very much alike. All auctions encourage delivery as early as possible on sale day. This permits pen inspection by prospective buyers and eliminates congestion just prior to sale time. Though delivery on the previous day is accepted, it is not encouraged because of costs and responsibilities involved in caring for animals. Delivery during the sale is discouraged for several reasons. First, it does not permit pen inspection; second, it increases labor costs; third, it increases the possibility of mix-ups; and fourth, it necessitates, in many cases, certain specie being sold out of order.

As a rule each individual's consignment is penned separately, but in some auctions where pens are limited in number and the volume is heavy two or more small lots of different species, color, sex and weight may be combined. A card system is used by the larger auctions which includes notations on species, number, color, sex, and any other information of value in identifying the stock. A stub from the card is clipped to the pen gate. When the animals are taken to the ring, the stub goes and returns with them. The second stub on the card is given the purchaser when he pays for the livestock. The buyer signs this over to the trucker who uses it for securing a release on the animals. The latter eliminates the possibility of a trucker securing animals before payment has been made. Livestock ordinarily is not fed while at the sale barn unless it is kept over night but hay is usually available in the racks.

The usual commission charged at these auctions was five per cent of the sale price on all livestock except horses in which case the charge was on the basis of per head value, i.e. \$1.25 on horses selling up to \$25.00, \$2.00 from \$25.00 to \$50.00, \$2.50 from \$50.00 to \$75.00, and \$3.00 per head for all selling over \$75.00. Some had a maximum of \$4.00 and others \$5.00. Few auctions made barn or feed charges. Consignments not sold were charged half of the commission in most cases, though some charged a full commission and others none at all.

In the main, the larger auctions handled their own finances and records. The smaller auctions used the local banks. The rates charged by the banks for handling records varied from one to two per cent of total sales. The advantages of the latter are that the bank assumes responsibility for checking on the financial responsibility of those who pay by check and also takes care of settlements at the bank on other than sale days. This eliminates the expense of having an office open during the week. The larger auctions, of course, can assume this responsibility much more readily than can the smaller auctions. Some of them keep a full-time clerk for checking animals in and out as well as listing livestock for the coming sale.

### Functions

The three main functions of the community livestock auction sale are first, selling or distributing feeder and stocker cattle from the range; second, exchanging livestock locally; third, selling slaughter livestock.

The service which probably has been most important to date is sale or distribution of livestock from the range. Doubtless some of this volume of business has been the result of drouth conditions and the forced movement of feeding stock and animals other than the slaughter type. Some say that this has been the major factor in the growth of the auction and that in normal years we may expect it to decline in importance. That this is not necessarily the case is suggested by the fact that nine of the sixteen auctions were established in 1935 when much of the range had normal rainfall. It has been suggested that the farmers patronize the auctions because they like this method of buying stockers and feeders. In the long-run, however, it is not likely that the farmers will continue to purchase livestock at auctions unless they can purchase the animals for less or at least at the same prices as from other sources. Also sellers of livestock are not likely to use the auction unless they can secure better or at least as favorable prices as elsewhere. The auctions cannot obtain a higher price for the range man and a lower price for the purchaser unless they can effect certain savings in the marketing of livestock. Therefore, we may conclude that the auctions will not become important agencies for the distribution of stocker and feeder livestock unless they can lower the costs of marketing such livestock.

Another function performed by auctions is to provide facilities for exchange of livestock locally. Heretofore exchange of livestock locally has been effected through dealers and directly between individuals. The auction has the advantage of concentrating the surplus livestock in a community and making it available on a particular day for purchase by other farmers or by dealers. If an auction is to be successful as an agency for the exchange of livestock locally, it must serve an area which is large enough to provide the volume of livestock necessary to attract buyers. Also it is important that the auction management maintain at all times an open and competitive market. Farmers would soon cease to patronize an auction if they found that they were bidding against an organized ring of traders in the purchase of livestock. Similarly, farmers would probably not continue to consign livestock to an auction if they discovered that prices had been prearranged between buyers and the auction manager.

The sale of slaughter livestock is relatively unimportant in Minnesota auctions. Without a large volume of slaughter stock, the auctions can not attract the buyers necessary for obtaining top prices for livestock. The sale of individual animals or of small individual consignments consumes a great deal of time. Large buyers will not be interested in buying at an auction unless they are able to bid on large lots of well graded slaughter stock.

MINNESOTA FARM PRICES FOR SEPTEMBER, 1936

Prepared by W. C. Waite and W.B. Garver

The index number of Minnesota farm prices for the month of September, 1936 was 99. When the average of farm prices of the three Septembers 1924-25-26 is represented by 100, the indexes for September of each year from 1924 to date are as follows:

|                     |                     |
|---------------------|---------------------|
| September 1924 - 94 | September 1931 - 55 |
| " 1925 - 103        | " 1932 - 41         |
| " 1926 - 103        | " 1933 - 58         |
| " 1927 - 100        | " 1934 - 78         |
| " 1928 - 101        | " 1935 - 74*        |
| " 1929 - 110        | " 1936 - 99*        |
| " 1930 - 84         |                     |

\*Preliminary

The price index of 99 for the past month is the net result of increases and decreases in the prices of farm products in September, 1936 over the average of September 1924-25-26 weighted according to their relative importance.

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

|             | Sept. 15,<br>1936 | Aug. 15,<br>1936 | Sept. 15,<br>1935 | Av. Sept.<br>1924-25-<br>26 | % Sept. 15,<br>1936 is<br>of Aug.<br>15, 1936 | % Sept. 15,<br>1936 is<br>of Sept.<br>15, 1935 | % Sept. 15,<br>1936 is of<br>Sept. 15,<br>1924-25-26 |
|-------------|-------------------|------------------|-------------------|-----------------------------|---|--|--|
| Wheat       | \$1.18            | \$1.23           | \$.98             | \$1.24                      | 96  | 120  | 95   |
| Corn        | .98               | .99              | .66               | .91                         | 99  | 148  | 108  |
| Oats        | .38               | .38              | .21               | .36                         | 100   | 81   | 105  |
| Barley      | .93               | .93              | .37               | .56                         | 100   | 251  | 166  |
| Rye         | .71               | .69              | .32               | .77                         | 103   | 222  | 92   |
| Flax        | 1.88              | 1.93             | 1.39              | 2.19                        | 97  | 135  | 86   |
| Potatoes    | 1.30              | 1.70             | .34               | .84                         | 76  | 382  | 155  |
| Hogs        | 10.00             | 10.10            | 10.60             | 10.59                       | 99  | 94   | 94   |
| Cattle      | 6.20              | 5.60             | 7.10              | 6.12                        | 111   | 87   | 101  |
| Calves      | 7.60              | 7.10             | 8.20              | 9.17                        | 107   | 93   | 83   |
| Lambs-sheep | 7.87              | 8.00             | 7.56              | 10.92                       | 98  | 104  | 72   |
| Chickens    | .132              | .135             | .143              | .179                        | 98  | 92   | 74   |
| Eggs        | .209              | .205             | .239              | .29                         | 102   | 88   | 72   |
| Butterfat   | .37               | .37              | .26               | .41                         | 100   | 142  | 90   |
| Hay         | 8.90              | 9.68             | 5.48              | 12.00                       | 92  | 163  | 74   |
| Milk        | 1.98              | 1.97             | 1.52              | 2.21                        | 101   | 130  | 90   |

\*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\*

|   | Sept.<br>1936 | Aug.<br>1936 | Sept.<br>1935 | Av. Sept.<br>1924-26 |
|---|---------------|--------------|---------------|----------------------|
| U.S. farm price index                       | 91.0          | 88.0         | 78.0          | 100.0                |
| Minnesota farm price index                  | 99.0          | 97.0         | 74.0          | 100.0                |
| U.S. purchasing power of farm products      | 108.0         | 106.0        | 95.0          | 100.0                |
| Minnesota purchasing power of farm products | 119.0         | 117.0        | 90.0          | 100.0                |
| U.S. hog-corn ratio                         | 9.2           | 9.5          | 13.2          | 11.7                 |
| Minnesota hog-corn ratio                    | 10.3          | 10.2         | 16.1          | 12.9                 |
| Minnesota egg-grain ratio                   | 12.4          | 11.6         | 19.1          | 17.5                 |
| Minnesota butterfat-farm-grain ratio        | 24.4          | 24.3         | 31.9          | 35.4                 |

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