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TRENDS IN MARKETING LIVESTOCK

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As 80 to 90 per cent of our total crop of Indian corn is marketed in the form of livestock and since livestock furnishes the best medium for turning into marketable form the production of some three-fourths of our total acreage of feed, forage and pasture crops, the importance of livestock in our farming organization is apparent. Inasmuch as meat animals provide a cash income of from 2 to 3 billions of dollars annually it is not surprising that stockmen are giving more attention to their marketing.

Not in many years, if at all, have conditions in the livestock marketing field been so unsettled as recently. Therefore, in discussing trends in livestock marketing the first problem is to decide which of many factors are likely to be significant in shaping the livestock marketing system which is expected to evolve.

I have been requested to mention motor transport of livestock, and market communication. In addition, I have selected three other factors—terminal cooperative livestock sales agencies, county livestock marketing committees (in Illinois), and standardized market classes and grades of livestock. We have then, two topics from the field of cooperative livestock marketing and three from the general field. They will be taken up in the following order: first, cooperative terminal sales agencies; second, county livestock marketing committees; third, motor transport; fourth, market communication, and fifth, market classes and grades.

COOPERATIVE TERMINAL SALES AGENCIES¹

During the last 15 years cooperative sales agencies have had a rapid development on the terminal livestock markets. During 1929, 28 such agencies were credited with total sales of 302 million dollars of livestock. Omitting 5 of these agencies, operating on what I do not regard as primary livestock markets, there remain 23 agencies with sales of 292 million dollars of livestock in 1929—the largest firm with sales of over 30 millions and the smallest with

¹For a detailed discussion of this topic see Technical Bulletin No. 57, U. S. Department of Agriculture.

sales of over 2 millions. This volume was approximately 18 per cent of the total consigned to the markets concerned.

One example of the growth of these agencies will suffice. Starting in 1920 on a borrowed capital of \$7,000 the National Livestock Producers' Association operated 12 terminal agencies in 1929, with a total sales volume of nearly \$150,000,000 of livestock. In the meantime, several of these agencies had set aside from earnings, reserves of from \$30,000 to over \$60,000 each. A second group, known as the Farmers' Union group, includes 9 controlled or affiliated agencies, with total sales of around 100 millions of dollars in 1929. There are also certain independent agencies, notably the Central Cooperative of South St. Paul. With the recent organization of the National Livestock Marketing Association and of the Farmers' Livestock Marketing Association, further development in this field is awaited with deep interest.

It must not be assumed that cooperative terminals have had no opposition or have faced no problems. On the contrary, they have encountered all the obstacles that organized and financed opposition could put in their way, ranging from trivial annoyances to absolute and vicious boycotts. From the first, organization and management problems have been, and continue to be, of the greatest significance.

Although operating but a few years, terminal cooperatives have accomplished worth while results, five of which may be mentioned:

1. The terminal cooperatives provide an effective check against increases in selling charges on their respective markets. In several instances they have materially reduced rates.
2. They have improved market service.
3. They have, in several territories, set up their own credit corporations, often saving their members 1 per cent interest on feeder loans.
4. They enable stockmen to retain control of their product one step further in its movement from producer to consumer.
5. They provide an agency through which stockmen may exert their collective influence in matters affecting the livestock industry.

With respect to direct selling, it should be noted that its rapid increase has been largely coincident with the development of the terminal cooperatives. Should direct selling continue its recent rate of increase, many of the terminal cooperatives may find them-

selves in the situation of a mill built on a good stream, but which some one taps farther up, diverting the water and leaving the mill unable to operate effectively.

COUNTY LIVESTOCK MARKETING COMMITTEES

Some 75 Illinois county farm bureaus have selected livestock marketing as one of their definite projects and have organized county livestock committees, having at least one member in each township and often one in each local unit. In some counties the livestock committee includes as many as 50 members. Working with these county organizations is the Livestock Marketing Department of the Illinois Agricultural Association with two well trained men on full time. Two forms of activity have been emphasized; first, county and local discussional meetings, and second, organized inspection tours, one county at a time, to the terminal livestock markets. In one and one-half years over 5,000 Illinois stockmen have visited the Chicago yards under this plan. As a result of these activities, Illinois stockmen are fast gaining a better understanding of livestock marketing problems and are studying them as never before.

MOTOR TRANSPORTATION OF LIVESTOCK²

Trucking or motor transportation of livestock, has increased with great rapidity during the past five years and affects the livestock marketing system in several ways: first, it seemingly tends toward decentralization of livestock marketing; second, it has affected adversely a large portion of the local cooperative livestock associations; third, it may be contributing to decentralization of our packing industry, and fourth, it is, in many instances, affecting livestock transportation service by rail. On the other hand trucking affords greater convenience to stockmen. Their livestock is picked up at the farm feedlot, thus saving them the labor of moving it themselves. Trucking offers greater flexibility of movement, since livestock may be moved at any time of the day or night, and it makes available a broader market outlet than formerly. Where trucking is generally practiced, the stockmen selling less than a carload of livestock at a time must either truck to market or sell

² For statistical data see the mimeographed report "Driven-In Receipts of Livestock." Bureau of Agricultural Economics, Washington, D.C., 1929.

locally. Debatable aspects, as between truck and rail movement, are the relative expense, comparative shrinkage enroute, and the extent of losses from crippling or death. The relation of improved highways to the volume and distance of truck shipment is basic to the whole question, but must be omitted here.

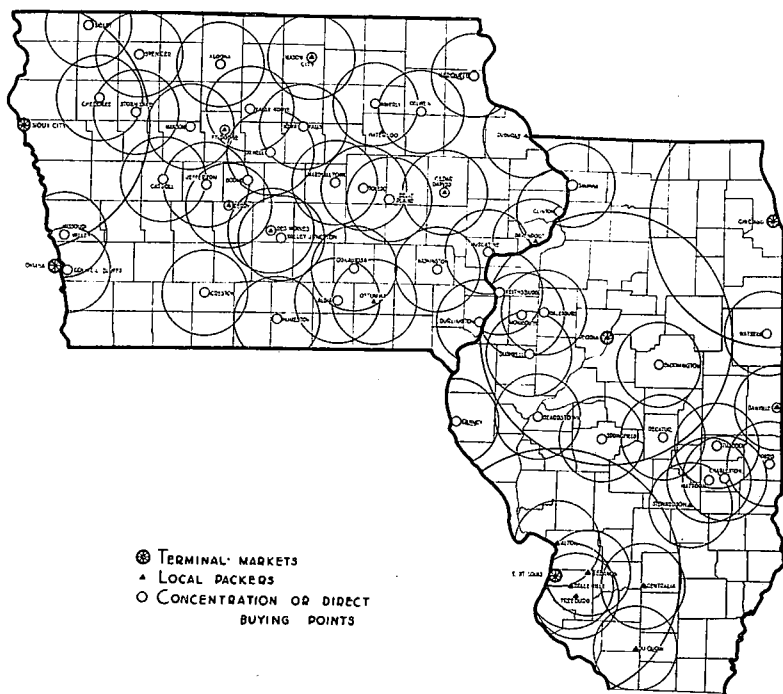


FIGURE 1. LIVESTOCK MARKET OUTLETS IN IOWA AND ILLINOIS, 1930

A circle with a radius of 25 miles is transcribed about each local market or packing plant, and a circle with a radius of 75 miles about each terminal market. Note how nearly these circles cover all the territory.

As to the volume of livestock trucked, evidence is abundant, so illustrations only are included here. For example, at 16 terminal livestock markets in 1929 nearly 14,000,000 head of livestock were trucked in, representing 21.9 per cent of the total receipts. This was estimated as equivalent to 366,000 railroad decks (or floors) of livestock or some 4,000 train loads. Over 1,000,000 head were received by truck at each of 3 markets; over 600,000 head at each of 3 others. In one year (1928 to 1929) truck receipts at 8 markets increased by 20 per cent.

The possible influence of motor transportation as tending toward decentralization of livestock marketing is an aspect of major importance. Possibilities in this direction are clearly indicated on the accompanying map of the two leading hog-producing states, Iowa and Illinois, which show the location of, (1) local livestock markets or concentration or direct buying points, (2) local packing plants, and (3) terminal livestock markets (figure 1). A circle, with a radius of 25 miles, is transcribed about each local market or packing plant, and a circle, with a radius of 75 miles, about each terminal market. Note how nearly these cover all the territory. If the smaller circles were extended to 50 mile radii (50 miles is a very common trucking distance) practically all the territory would be included.

The increasing volume of livestock trucked to market indicates that more trucks are operating. This produces increased competition among truckmen and greater traffic congestion. In many localities rate competition has been carried to a point where it is questioned if truckmen are really making expenses. Under such circumstances, trucking is then not only taking the business from the railroads, but it may not be paying a return sufficient to maintain adequate truck service. Apparently, the only remedy is state or federal regulation. A decisive step in this direction was Truck Operator Rate Schedule Number 1, promulgated by The Board of Railroad Commissioners of the State of Iowa, effective July 15, 1930, applying on all motor freight transportation within Sioux City, Iowa, and on all livestock and household goods moving between Sioux City and 18 counties in that section of the State.⁸

One of the immediate problems in livestock marketing is to work out a balanced condition between motor and rail transportation, in line, of course, with further changes in our livestock marketing and in the meat packing industry.

MARKET COMMUNICATIONS

Considering the distances over which our livestock moves, the number of market outlets available, and the continuous fluctua-

⁸ Further publications dealing with the marketing of livestock by truck are: Ohio Experiment Station Bulletin No. 440; Illinois Experiment Station Bulletin No. 342; Indiana Experiment Station Bulletin No. 337; Illinois Experiment Station Circular No. 331; "Driven-In Receipts of Livestock", Bureau of Agricultural Economics, Washington, D.C.; "Truck Operator Rate Schedule No. 1," Iowa Board of Railroad Commissioners.

tions in price, the importance of market information, is obvious. An effective market communications service involves three essentials, (1) dependable, accurate, and comprehensive information from all important livestock trading centers, (2) prompt and general distribution of that information to stockmen and to the trade, and (3) ability of stockmen to understand, interpret, and apply the information received. This discussion will deal with the second element only.

Two of the early forms of livestock market news information were the "news letter," as sent to individual shippers by various livestock commission firms, and the livestock market paper. It may be said that one of the market papers (Chicago Daily Drovers Journal) is regarded, from the farm standpoint, as one of the best all around daily newspapers in existence. The general market letter, just referred to, is being replaced to a considerable extent by more specialized letters.

Telegraphic reports have long been used. At present both of the large telegraph companies furnish a regular commercial livestock telegraphic news service to regular subscribers, at definite monthly rates depending on the number of messages required per day.

The basic market news service in the livestock field is that operated by the Division of Livestock, Meat, and Wool, Bureau of Agricultural Economics, United States Department of Agriculture. The Bureau maintains offices and market reporters on 23 of our livestock markets. A wire system is utilized in assembling, continuously during trading hours, market information from these offices and in getting it out to the public. At the larger markets the Bureau of Agricultural Economics office posts bulletins at frequent intervals, sends out a wide range of market information, and distributes daily a mimeographed market news summary.

Of most recent development, and probably of greatest significance because of wider and more immediate use than any other, is the radio market news service. Already there is a tendency for certain stations to report concurrently several markets that are equally accessible to shippers in their territory.

Other important considerations might well be presented under this matter of communications but time does not permit.

STANDARDIZED LIVESTOCK MARKET CLASSES AND GRADES

Standardized classes and grades for livestock is a much less tangible subject than that of motor transport. To many it would appear of far less importance. Actually it is a fundamental consideration in modern livestock marketing. In early days all transactions were direct; buyer, seller, and livestock were all present. Livestock prices were local, no distant terminal market establishing basic prices. Today standardized market classes and grades for livestock are recognized as necessary, first, to provide the basis for definite, adequate, and comparable livestock market reports, both from the terminal markets and of sales to packers direct; second, to equalize livestock prices, both as between markets and as between localities; third, to facilitate trading where buyer and seller are not both present or where the livestock is not on display, and fourth, to enable stockmen to realize prices proportionate to the actual merit of their livestock.

Omitting further discussion of that phase of the question let us consider, first, what has been accomplished in the way of developing standardized market classes and grades for livestock and, second, what conditions are requisite to their greatest utility in the trade.

Thirty years ago the Animal Husbandry Department at the University of Illinois Agricultural Experiment Station made a thorough study of market classes and grades of market meat animals. Illinois Bulletins 78 (1902), 97 (1904) and 129 (1908) resulted. Bulletin 147, Market Classes and Grades of Meat, followed in 1910. With the introduction of a government livestock market reporting service at the larger terminal livestock markets, shortly before the World War, the necessity of recognized market classes and grades of livestock was apparent. The Bureau of Agricultural Economics has issued a number of bulletins and circulars along that line, among them, by title, "Market Classes and Grades of Livestock," "Market Classes and Grades of Cattle," "Market Classes and Grades of Calves and Vealers," "Market Classes and Grades of Dressed Lamb and Mutton," "Market Classes and Grades of Dressed Veal and Calf Carcasses." Recently the Bureau has submitted for consideration of the livestock trade a bulletin, "Tentative Standards for Grades of Slaughter Hogs."

That progress has been achieved in working toward a usable basis of standardized market classes and grades of livestock is

evidenced by reference to government livestock market reports. However, the classification used by the Bureau of Agricultural Economics market reporting service is not followed throughout the trade. Several of the leading livestock market newspapers continue to use the system which they had developed previous to the introduction of a government service. The various packers use still other systems which they have developed to meet their particular conditions.

That the problem is important, to many at least, is indicated by the introduction in the last congress of a bill providing for both a system of federally approved market classes and grades of livestock and for government grading. The American Institute of Meat Packers has several committees studying this problem. Stockmen's organizations are becoming increasingly interested in this important matter. To secure the desired end it will be necessary to (1) develop a simple, practical and usable set of market classes and grades, (2) secure general use of such classes and grades in the trade, (3) familiarize stockmen with them so that they may interpret market reports accurately and better adjust their production activities to market preferences and to market requirements, and (4) demonstrate to stockmen that meat product grades and prices are, or will be, reflected back in the "on-foot" grades and prices. It seems obvious that to be most useful a system of livestock classes and grades should be directly correlated with a system of meat grades that will benefit the consumer. Stockmen are interested in a set of classes and grades that will enable them to interpret market reports accurately, to fit production to market preferences, and that will reflect prices paid by consumers for the product marketed from the livestock they sell. Consumers will benefit by such a system of meat classes and grades as it will enable them to be assured of the quality of the product which they buy.