INTERVIEWS WITH VIRGINIA SLAUGHTER CATTLE PRODUCERS AND EASTERN PACKERS: IMPLICATIONS TO ELECTRONIC MARKETING

By

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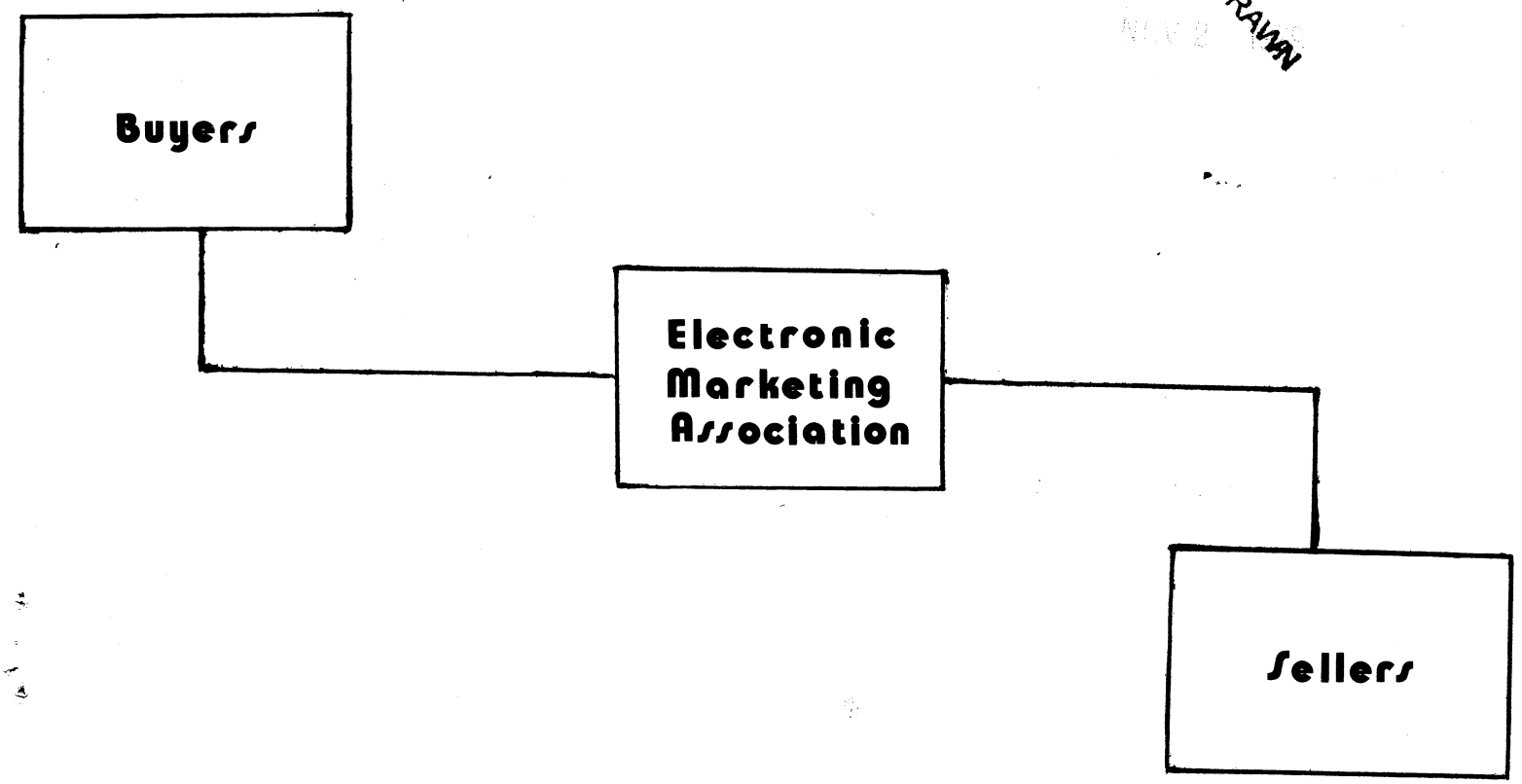

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I. INTRODUCTION

Current Situation

It is estimated that 131,000 slaughter cows and 48,000 finished slaughter cattle[1] are sold each year in Virginia. These cattle are purchased by packers from as far north as New York, as far south as Florida, and as far west as Ohio. Most of the cows are sold through weekly auction markets and most of the fed cattle are sold directly to packers [2, 4, 5].

Virginia auction markets have provided important economic services but improvements in marketing are always desirable. Some auctions have very small slaughter cattle numbers. At most auctions, slaughter cows are either sold on an individual basis or in small lots [5]. The combination of small numbers and sale of individual animals can cause problems in attracting enough buyers to assure competitive prices. As a result, many cattle are sold at a price lower than the national average,[2] bought by cattle traders and are resold at other auction markets. This continues until sufficient numbers at a market attract either a packer buyer or an order buyer representing a packer. Such patterns of movement affect the price producers receive for their cattle and the quality of cattle delivered to packers. A system which could attract more buyers and eliminate some of the stress on the cattle being sold offers potential benefits to producers, packers, livestock markets and the livestock industry of the state.

The Project

In an effort to help increase the effectiveness and efficiency of the state's marketing system for cattle, the Virginia Department of Agriculture and Consumer Services (VDACS) and the Department of Agricultural Economics at VPI & SU prepared a research proposal to investigate the marketing of slaughter cattle via some electronic medium. The proposal was jointly funded by USDA-AMS and the State of Virginia. The objectives of the project are:

1. To develop the local and statewide organizations to operate a centralized electronic marketing system.
2. To develop operating procedures between buyers, sellers, and a centralized electronic marketing association (CEMA) that would be responsible for slaughter cattle and cows.

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[1] The slaughter cow estimate is obtained by assuming an annual culling rate of 15 percent for beef cows, 25 percent for dairy cows, and applying the January 1, 1979 inventory of cows in Virginia. The finished cattle estimate assumes an annual turnover rate of 1.56 and uses the January 1, 1979 number of cattle on feed in Virginia [3].

[2] Virginia is a deficit state in terms of beef production. Yet as of March 15, 1979, the average price received for Virginia cows was $2.00/cwt. lower than the average price received for cows of comparable grade nationally [1].

3. To identify the benefits and costs of an operating state-wide central electronic marketing system.

4. To evaluate the feasibility of alternative computer systems for centralized electronic marketing of livestock.

As an aid in meeting these objectives, surveys of producer and packer needs were conducted. The survey was designed to explore the knowledge, perception and preferences of producers and packers.

The Survey

The survey was administered using personal interviews to 20 northeastern packers and 83 producers of Virginia slaughter cattle. The Division of Markets, VDACS, had primary responsibility for the packer interviews and the Department of Agricultural Economics at VPI & SU had primary responsibility for the producer interviews. The "mirror image" approach was used for both surveys in that an attempt was made to ask related and coordinated questions to both producers and packers. The four broad areas of interest covered in the surveys were: (1) the current situation and present attitudes, (2) product description, (3) performance guarantees and (4) organization and operation.

The producers to be interviewed were selected by a stratified random process. Lists of producers were obtained from the Virginia Beef Cattle Association and from the State Veterinarians Office. A random one percent sample was drawn for each producer category (beef cow-calf producer, cattle feeder and dairyman) with a minimum of 20 names per category. A replacement was drawn for each name in case the first producer selected could not be interviewed. This procedure resulted in 20 names being drawn from the dairy list, 20 from the cattle feeder list and 63 from the beef cow-calf list. When these producers or their replacements were interviewed, it was found that some from the beef cow-calf list were dairymen and some from the feeder list were cow-calf producers. Also, for varied reasons some producers and their replacements could not be interviewed. These adjustments resulted in 43 beef cow-calf producers, 23 dairymen and 17 feeders being interviewed. A copy of the producer survey and the producers' responses are included in Appendix A.

An attempt was made to interview the entire population of packers who are either now buying Virginia slaughter cattle or who might be interested in buying in the future. Twenty-six packers were identified but for varied reasons only the interviews from 20 packers resulted in a completed survey. These 20 packers were located in nine different states stretching from Georgia to New York and from Ohio to New Jersey. The packer survey and packer responses can be found in Appendix B.

Purpose of the Bulletin

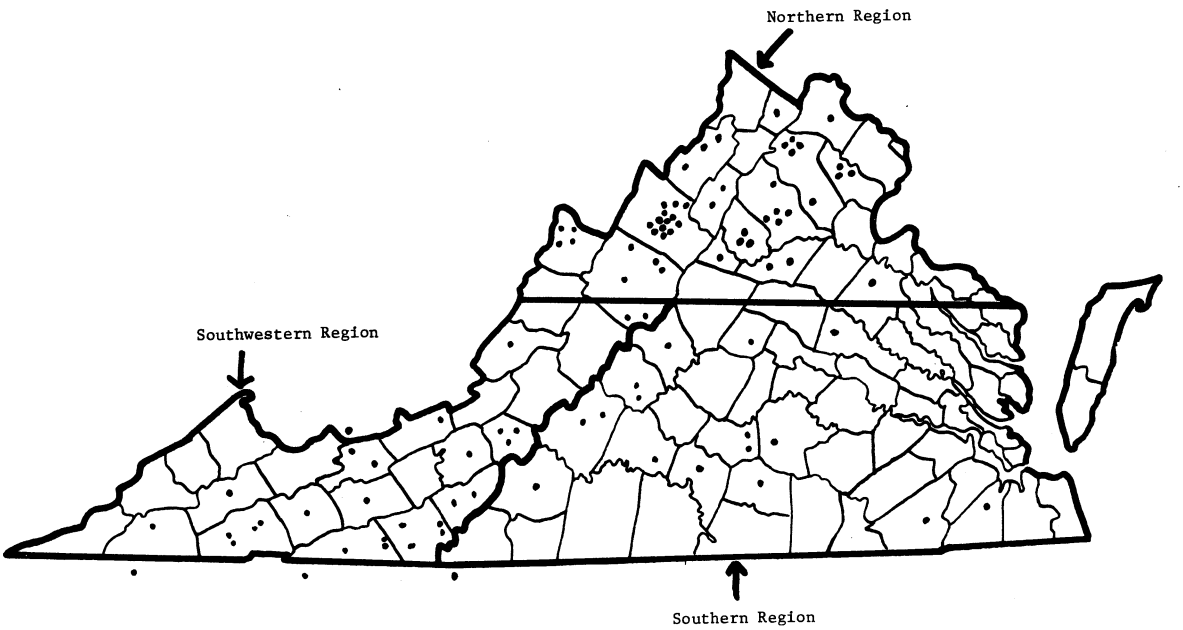
The purpose of this bulletin is to present the results of the surveys and to draw implications from those results to the development and operation of an electronic marketing system. First to be examined will be the responses to the producer survey. Next comes the responses to the packer survey. The interface between the responses of producers and packers will then be

explored in some detail. A summary and conclusions section follows with emphasis on the implications of the survey results to the development of an electronic marketing system.

II. THE PRODUCER SURVEY

The survey provides basic information about producers of Virginia slaughter cattle. The producers were selected at random and inferences are, therefore, made about all slaughter cattle producers in Virginia. Figure 1 shows the location of the producers interviewed and divides the state into three regions.[3]

Figure 1. LOCATION OF THE PRODUCERS INTERVIEWED



Operation Size

The distribution of producers interviewed by number of slaughter animals sold per year appears in Table 1. Eighty-eight percent of the producers selling slaughter cows sold 20 head or less per year. Only one producer sold more than 50 slaughter cows per year. Thirty percent of the producers sold

[3]An attempt was made to separate the producers in the northern area of Virginia who would have ready access to the large northeastern markets. The southwestern and southern regions were then divided according to natural clusters of producers based on geographical location of producers and markets.

5 head or less. Dairymen sold 16 slaughter cows in an average year. Cow-calf beef producers averaged 11 head. The producers in the northern region sold an average of 15 slaughter cows per year, slightly larger than the average in the southern and southwestern regions. Of all producers selling slaughter cows, 47 percent came from the northern region and they sold 55 percent of the slaughter cows. The southwestern region had 36 percent of the producers and sold 31 percent of the slaughter cows and the southern region had 17 percent of the producers and sold 14 percent of the cows.

Table 1. DISTRIBUTION OF THE PRODUCERS INTERVIEWED BY THE NUMBER OF SLAUGHTER ANIMALS SOLD PER YEAR

Slaughter Cows Sold/yr. (Head)	Number of Producers Interviewed	Fed Cattle Sold/yr. (Head)	Number of Feeders Interviewed
0 - 5	20	0 - 20	2
6 - 10	20	21 - 50	6
11 - 20	18	51 - 100	5
21 - 50	7	101 - 200	1
> 50	1	> 200	3

It appears unlikely that individual producers would be able to offer deck or trailer loads of slaughter cows for sale. However, the high concentration of slaughter cows in the northern region and the adequate concentration in the southwestern region suggests that with reasonable participation, loads could be assembled with little difficulty. The southern region, having fewer slaughter cows for sale, would require higher participation among producers to be able to assemble slaughter cows efficiently.

Cattle feeders sold an average of 113 head of fed cattle annually. Eighty eight percent of the feeders sold more than 20 head per year with 53 percent selling more than 50 head per year. The northern region contained 71 percent of the feeders and sold 79 percent of the fed cattle. The southern region had 24 percent of the feeders and sold 20 percent of the fed cattle. The southwestern region contained 5 percent of the feeders and sold less than 1 percent of the fed cattle.

The high concentration of feeders in the northern and southern regions suggests that assembly of fed cattle would not be difficult. The larger annual number of slaughter animals sold per producer implies that some individual feeders could offer deck or trailer loads.

Marketing Channel Used

Table 2 shows the number of head and the percent of slaughter cattle in the survey that were sold through each marketing channel. As expected, practically all slaughter cows (97%) were sold through weekly auctions. The majority of fed cattle were sold direct to the packer (62%). Twenty-seven percent of the fed cattle were sold through special graded sales and 11 percent moved through weekly auctions. If we assume that the direct marketing channel contains more operational efficiencies than the weekly auction method, greater potential exists for improving the operational efficiency in selling slaughter cows than fed cattle. Pricing efficiency or accuracy is much more difficult to evaluate. In general, we would hypothesize that any marketing channel that increases the number of buyers would improve pricing efficiency if the number of exchange processes is not increased.

Table 2. NUMBER OF HEAD AND PERCENT OF SLAUGHTER CATTLE SURVEYED THAT WERE SOLD THROUGH EACH MARKETING CHANNEL

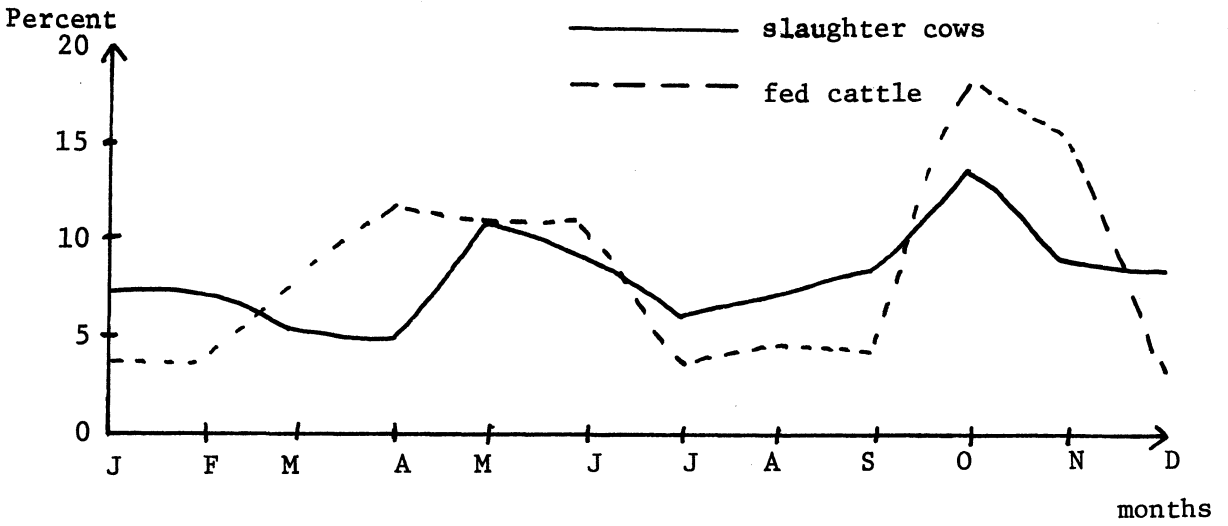
Marketing Channel	Slaughter Cows		Fed Cattle	
	Head	%	Head	%
Weekly Auctions	811	97.1	214	11.2
Special Graded Sales	N/A	N/A	510	26.6
Direct	17	2.0	1192	62.2
Order Buyer	7	.9	0	0.0
Total	835	100.0	1916	100.0

Seasonal Influence in Marketings

The percent of slaughter cows and fed cattle marketed each month is shown in Figure 2. Both slaughter cow and fed cattle marketings peaked in October with seasonal lows in April and July respectively. Slaughter cow marketings exhibited less seasonal variation than fed cattle marketings. This was due in part to the stabilizing influence of dairymen selling slaughter cows throughout the year.

Any marketing system must be able to handle the seasonal variability in marketings. This variability should be considered when making decisions regarding the capacity of an electronic system, the frequency of sales and the number of assembly points. The seasonal influence should also be emphasized when considering fixed expenses and any cash flow problems that could result.

Figure 2. PERCENT OF SLAUGHTER CATTLE MARKETED EACH MONTH



Producer Responses By Type of Cattle Enterprise

Producer attitudes towards the present marketing system, their experience with selling on a carcass basis and their expectations regarding electronic marketing are given in Table 3. The majority of cow-calf producers, dairymen and cattle feeders felt they receive a fair price for the slaughter cattle they sell. However, the majority of both cow-calf producers and cattle feeders want to see changes in the present marketing system. Conversely, by almost a 3 to 1 ratio, dairymen did not want to see changes in the present marketing system. However, when asked later if they would be interested in marketing any of their slaughter cattle via some electronic medium, they answered yes by more than a 2 to 1 ratio.

Table 3. PRODUCER ATTITUDES TOWARDS THE PRESENT MARKETING SYSTEM, THEIR EXPERIENCE WITH SELLING ON A CARCASS BASIS, AND THEIR EXPECTATIONS REGARDING ELECTRONIC MARKETING, BY TYPE OF PRODUCER

Attitude, Experience, or Expectation	Number of Producers Responding								Percent of Producers Responding
	Type of Enterprise						State Total		
	Cow-Calf		Dairy		Feedlot				
	yes	no	yes	no	yes	no	yes	no	
Believe they receive a fair price for the slaughter cattle they market	26	16	19	4	13	4	58	24	98.8
Would like to see changes in the marketing system they are using	26	17	6	17	9	8	41	42	100.0
Have sold slaughter cattle "on the rail"	9	34	9	14	11	6	29	54	100.0
Believe slaughter cattle can be sold effectively by description	23	18	15	8	10	6	48	32	96.4
Would be interested in marketing their slaughter cattle via some electronic medium	24	10	15	6	14	3	53	19	86.8

Of the three types of producers, only cattle feeders had a majority who had sold slaughter cattle on a carcass basis. Sixty-five percent of the producers had not sold any cattle "on the rail". Of the producers who have sold on a carcass basis, 56 percent had negative feelings regarding the experience.

These responses indicate that if an electronic system sells slaughter cattle "on the rail", it should be accompanied by a strong educational effort. In a relatively new system, it would be advisable to offer producers the choice of selling on a live or carcass basis. Such a choice would keep the system from losing volume (due to producer resistance to carcass selling) so important to a new system.

The majority of cow-calf operators, dairymen and cattle feeders believe slaughter cattle can be sold effectively by description and would be interested in marketing their slaughter cattle via some electronic medium. While they expressed a desire to try electronic marketing, producers indicated future marketing decisions would be based on the outcome of this trial. This underlines the importance of the first few sales in a new marketing system. Future volume might be dependent upon early successes or failures.

Producer Responses By Region of Virginia

Table 4 displays producer attitudes towards the present marketing system, their experience with selling on a carcass basis and their expectations regarding electronic marketing for slaughter cows across regions of Virginia. The majority of producers in all regions of the state believe they receive a fair price for the slaughter cows they market. A simple majority of producers in the southwestern region would like to see changes in the marketing system. A simple majority of northern and southern producers do not want to see changes. A possible explanation could be that the higher concentration of cattle in the northern region draws more buyers into the area which creates a better and more competitive market. Survey results offer no explanation as to why producers in the southern region are more satisfied than southwestern producers. Both the northern and southern producers were interested, however, in marketing their slaughter cows via some electronic medium.

Few producers in any region of the state had sold any of their slaughter cows on a carcass basis. The majority of producers in the northern and southwestern regions felt slaughter cows could be sold effectively by description, while southern producers were evenly split on the issue. More than half the producers in all regions of the state would be interested in marketing their slaughter cows via some electronic medium.

These responses have several implications regarding an electronic marketing system. First, since northern and southern slaughter cow producers are more satisfied with the marketing system than southwestern producers, the educational effort to the northern and southern producers should be structured differently. Any educational effort to northern and southern producers should concentrate on improving the marketing system

rather than correcting a marketing problem. Second, this cross-regional analysis points out the lack of experience with carcass selling and the need for education in this area. Third, this analysis again reveals that producers are willing to try electronic marketing, but experiences from the first few sales will be important.

Table 4. PRODUCER ATTITUDES TOWARDS THE PRESENT MARKETING SYSTEM, THEIR EXPERIENCE WITH SELLING ON A CARCASS BASIS, AND THEIR EXPECTATIONS REGARDING ELECTRONIC MARKETING, BY REGIONS OF VIRGINIA

Attitude, Experience, or Expectation	Number of Producers Responding								Percent of Producers Responding
	Region						State Total		
	Northern		South-western		Southern				
	yes	no	yes	no	yes	no	yes	no	
Believe they receive a fair price for the slaughter cows they market	21	9	15	9	9	2	45	20	98.5
Would like to see changes in the marketing system they are using	15	16	13	11	4	7	32	34	100.0
Have sold slaughter cows "on the rail"	10	21	7	17	1	10	18	48	100.0
Believe slaughter cows can be sold effectively by description	16	14	17	7	5	5	38	26	97.0
Would be interested in marketing their slaughter cows via some electronic medium	18	6	15	7	6	3	39	16	83.3

The Typical Virginia Slaughter Cattle Producer

The producer survey reveals many characteristics that would appear in an average or typical Virginia slaughter cow producer or feeder. The average slaughter cow producer will sell less than 10 head of slaughter cows per year, will sell more in October than any other month and will sell them through a weekly auction market. He feels he receives a fair price for the slaughter cows he markets. If he is selling beef cows, he would like to see changes in the current marketing system. If he is selling dairy cows, he is less interested in change. If he lives in the southwestern region of the state, he is less satisfied with the marketing system than if he lives in the northern or southern regions. He has little experience selling cows "on the rail" but would be willing to try it. He believes cows can be sold effectively by description and he would be interested in selling his slaughter cows via some electronic medium.

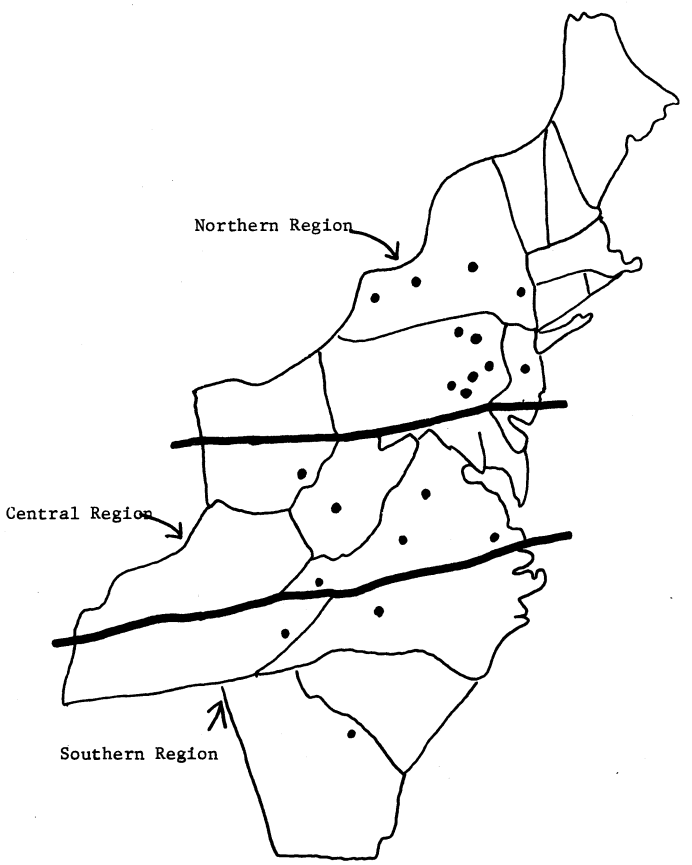
The average or typical Virginia cattle feeder lives in the northern region of the state and sells between 21 and 50 head of fed cattle per year. He is most likely to sell fed cattle in October and to sell directly to the packer. He feels he receives a fair price for the fed cattle he markets, but would like to see changes in the current marketing system. He has sold cattle on a carcass basis, he believes slaughter cattle can be sold effectively by description, and he would be interested in marketing his slaughter cattle through an electronic marketing system.

Remembering these characteristics of typical producers should help in designing an electronic marketing system that has the greatest probability of providing a significant service to Virginia slaughter cattle producers and to the marketing system of the state. In particular, knowledge of producers and their perceptions of the current situation should help to avoid designing a system which will receive a negative reaction.

III. THE PACKER SURVEY

The packer survey obtained primary data from packers located in Virginia and surrounding states. An attempt was made to interview the entire population of packers who are either presently purchasing Virginia slaughter cattle or who might be interested in doing so. A total of 20 interviews were completed. The sample is large enough that inferences can be made about the entire group of packers. Figure 3 depicts the location of the packers interviewed and divides the area into three regions.

Figure 3. LOCATION OF THE PACKERS INTERVIEWED



Procurement Channels Used

The number of head and percent of slaughter cattle that were purchased through each procurement channel are displayed in Table 5. Sixty-nine percent of the slaughter cows were purchased from order buyers and, as the packers indicated, most of these probably came through auction markets. Sixty-four percent of the fed cattle were purchased directly from producers, 18 percent from auction markets and 15 percent from order buyers. Twenty-six percent of the slaughter cows and 20 percent of the fed cattle bought by the packers surveyed came from Virginia.

Table 5. NUMBER OF HEAD AND PERCENT OF SLAUGHTER CATTLE SURVEYED THAT WERE PURCHASED THROUGH EACH PROCUREMENT CHANNEL

Procurement Channel	Slaughter Cows		Fed Cattle	
	Head	%	Head	%
Weekly Auctions	304,877	68.9	15,415	17.8
Special Graded Sales	N/A	N/A	2,453	2.8
Tel-o-auction	100	<.1	100	.1
Direct	28,940	6.5	55,775	64.3
Order Buyer	108,267	24.5	13,060	15.0
Total	442,184	100.0	86,803	100.0
From Virginia	114,852	26.0	17,111	19.7

If electronic marketing can save buyer time or if it can deliver an animal that has been under less stress, then the packer will benefit if other things are equal. Since auction markets sometimes take several hours to conduct and may contain "trading" cattle, the potential exists for improvement, especially in the procurement of slaughter cows.

Plant Size

Table 6 presents the distribution of the packers interviewed by the number of slaughter animals purchased per week. Forty percent of the packers bought more than 500 head of slaughter cows per week, 35 percent purchased between 50 and 500 head, and 15 percent purchased 50 head or less. Seventy percent of the packers interviewed slaughtered fed cattle as well as slaughter cows. Of the packers that slaughtered fed cattle, 86 percent slaughtered 500 head or less per week with the remaining 14 percent killing more than 1,000 head per week.

Table 6. DISTRIBUTION OF THE PACKERS INTERVIEWED BY THE NUMBER OF SLAUGHTER ANIMALS PURCHASED PER WEEK

Slaughter Cows Purchased/week (Head)	Number of Packers Interviewed	Fed Cattle Purchased/week (Head)	Number of Packers Interviewed
0-50	3	0-50	3
51-100	2	51-100	1
101-500	7	101-500	8
501-1000	3	501-1000	0
>1000	5	>1000	2

Looking only at this distribution, it appears that 85 percent of the plants slaughtering cows and 79 percent of the plants slaughtering fed cattle could bid on truck load lots (35-50 head) of slaughter cattle. It might be more difficult, however, to assemble truck load lots containing comparable slaughter cows or cows of consistent quality. A system which sold slaughter cattle in deck or half deck lots (10-25 head) would be able to assemble uniform lots of cattle more easily. In addition, such a system would have the advantage of not losing packer buyers interested in less than truck load lots. Selling 10 animals per lot would require more time than selling truck load lots but it would still be much faster than the present system and would allow more uniform grouping.

Packer Responses By Plant Size

Packer responses to selected questions by plant size are shown in Table 7. The small (0-200 hd./wk.) and medium (201-2,000 hd./wk.) size plants generally do not slaughter all types of cows as do the large plants (>1,000 hd./wk.). The percentage of packers interested in each particular grade of slaughter cows ranged from 45 percent for the commercial grade to 90 percent for the cutter grade. Hence, assuming adequate participation among packers, sufficient competition should exist for all grades of slaughter cattle. Thirty percent of the packers do not use a federal grader at all and 30 percent of the packers only use a grader on a part-time basis. This implies that if an electronic system only sells slaughter cattle on a carcass basis and graders are used in the pricing process, problems will emerge because many packers don't have a federal grader.

Table 7. PACKER RESPONSES TO SELECTED QUESTIONS BY PLANT SIZE

Subject	Number of Packers Responding								Percent of Packers Responding
	Plant Size (Slaughter cattle/wk.)						Total		
	0-200		201-1,000		>1,000				
	yes	no	yes	no	yes	no	yes	no	
Buy all types of slaughter cows	2	4	2	4	4	3	8	11	95
Would like to see changes in the procurement system they are using	4	2	6	1	6	0	16	3	95
Have objections to an auction system using regressive bidding	1	5	4	2	4	2	9	9	90
Believe slaughter cattle can be bought effectively by description	4	2	4	3	7	0	15	5	100
Believe the trend towards electronic marketing is good	3	1	3	1	6	0	12	2	70
Would be willing to pay a fee to tie into an electronic marketing system	3	2	2	4	7	0	12	6	90

The majority of packers felt they were getting their slaughter cattle bought at a reasonable cost delivered to the plant and were satisfied with the convenience of their present procurement method. Yet, across all plant size categories, more than half the packers would like to see changes in their present procurement system, believe slaughter cattle can be sold effectively by description and feel the trend towards electronic marketing is desirable. The larger packers would object to an auction system using regressive bidding.

Two-thirds of the responding packers were willing to pay a fee to tie into an electronic marketing system. By a 2 to 1 ratio, however, medium size plants were not willing to pay a fee. The majority of small plants and all of the large plants were willing. Ninety-two percent of the packers willing to pay a fee were willing to pay the same or more than their present procurement costs. Packers indicated they were mainly concerned with the delivered cost of the slaughter animals. It apparently makes little difference how this cost is divided between price, fees, transportation expense and buyer cost. The majority of packers are willing to try an electronic marketing system and stressed the importance of early experiences with the system to long-term acceptability.

Packer Responses By Location of Plant

Table 8 displays packer responses to selected questions by location of plant. The majority of plants in the central and southern regions buy all types of slaughter cows whereas the majority of plants in the northern region do not. More than half the packers in each region would like to see changes in the procurement system they are presently using and exactly 50 percent in each region had objections to an auction system using regressive bidding.

Table 8. PACKER RESPONSES TO SELECTED QUESTIONS BY LOCATION OF PLANT

Subject	Number of Packers Responding								Percent of Packers Responding
	Plant Location (Region)								
	Northern		Central		Southern		Total		
	yes	no	yes	no	yes	no	yes	no	
Buy all types of slaughter cows	3	8	3	2	2	1	8	11	95
Would like to see changes in the procurement system they are using	8	2	5	1	3	0	16	3	95
Have objections to an auction system using regressive bidding	5	5	3	3	1	1	9	9	90
Believe slaughter cattle can be bought effectively by description	11	0	2	4	2	1	15	5	100
Believe the trend towards electronic marketing is good	8	1	2	1	2	0	12	2	70
Would be willing to pay a fee to tie into an electronic marketing system	9	1	1	5	2	0	12	6	90

The majority of packers in each region feel the trend towards electronic marketing is desirable. The majority of northern and southern packers believe slaughter cattle can be sold effectively by description and would be willing to pay a fee to tie into an electronic marketing system. However, more than half the packers in the central region do not agree. They do not feel slaughter cattle can be sold effectively by description and would not be willing to pay a fee to tie into an electronic system.

No hypothesis has been made regarding these regional differences in packer responses. It is important, however, to recognize they do exist. Such information could be especially useful in designing an educational program for packers as part of the introduction of an electronic marketing system.

The Typical Packer Interviewed

The packer survey reveals characteristics inherent in the average or typical packer interviewed. This typical packer buys an average of 442 slaughter cows per week and buys most of them through weekly auctions. If he buys fed cattle, he buys an average of 124 head per week and purchases most of them directly from cattle feeders. This average packer lives in the northern region and buys approximately 30 percent of his slaughter cattle FOB the plant.

The typical packer has a Federal grader in the plant at least part of the time. He has bought cattle "on the rail" and has positive feelings towards this method of purchasing cattle. He thinks this is the fairest way of purchasing slaughter cattle in that he gets what he pays for and the producer gets paid for what he delivers. He would encourage producers to come into the plant and watch their cattle being slaughtered and weighed.

The packer feels he is able to get his slaughter cattle bought at a reasonable cost. He is reasonably satisfied with the convenience of the procurement system he is presently using but would like to see changes. This typical packer is largely indifferent to whether regressive or progressive auction methods are used. He believes the trend towards electronic marketing is desirable. If he is located in the northern or southern regions, he believes that slaughter cattle can be bought effectively by description. If he is located in the central region or has a medium size plant, he would not be willing to pay a fee to tie into an electronic marketing system. However, if he has either a small or large plant which is located in either the northern or southern regions, he would be willing to pay an amount equal to or greater than his present procurement costs to be able to tie into an electronic marketing system.

This picture of the typical packer interviewed should be useful in developing an electronic marketing system. This should not be the only criteria used as "averages" dictate that many packers needs would not be considered. The concept is useful, however, in gaining a broad understanding of the type of packer interviewed.

IV. THE INTERFACE BETWEEN THE PRODUCER AND PACKER SURVEYS

In the previous sections, we have examined portions of the producer and packer surveys. The attitudes, experiences and expectations of each group were explored. Inferences were made from the samples to the populations. Although such analysis is useful, it is incomplete. It ignores the interface between producers and packers. When the attitudes, experiences and expectations of producers are compared with those of packers, greater insight is gained.

In designing a new electronic marketing system, choices must be made in such areas as to whether the cattle should be sold on a carcass or liveweight basis, whether to sell them on the farm or at an assembly point and whether to use progressive or regressive bidding. Decisions must be made along other dimensions including who should own, control and finance the electronic marketing organization, what variables should be used in describing the animals, when the title of ownership to the animals (and related liability) should shift from producer to packer and what type of contract (oral, written, bonded written) should be used. An examination of the interface between the responses to the producer and packer surveys can help to guide these decisions.

Areas of Agreement

In comparing the responses of producers and packers to the survey, points of agreement were found. Table 9 lists selected areas of agreement. Virginia producers and the interviewed packers generally deal in slaughter cattle of the same average weights. They both feel they receive (pay) a fair price for the slaughter cattle they sell (buy) and are both satisfied

with the convenience of the present marketing (procurement) system. For a 10 hour period, both producers and packers expected about the same percentage shrink if the slaughter cattle were sold on a liveweight basis and neither expected tissue shrink to be a problem if they were sold "on the rail".

TABLE 9: AREAS OF AGREEMENT BETWEEN VIRGINIA SLAUGHTER CATTLE PRODUCERS AND THE PACKERS INTERVIEWED

Deal in slaughter cattle of roughly the same weights.
Believe they receive (pay) a fair price for slaughter cattle.
Satisfied with the convenience of the current marketing (procurement) system.
Expect about the same percentage shrink for slaughter cattle in 10 hours time.
Feel slaughter cattle can be sold effectively by description.
Believe the trend towards electronic marketing is desirable.
Would purchase slaughter cattle using descriptive terminology they identified.
Believe auction markets should be involved in a new system.
Feel an independent third party should do the grading.
Chose the same carcass characteristics that should be identified when selling "on the rail".
Would prefer each set of cattle be auctioned separately rather than let the high bidder take his pick of lots.
Would prefer that the marketing organization's board of directors settle disputes between the marketing organization and a particular buyer or seller.

Both producers and packers felt that slaughter cattle could be sold effectively by description, but emphasized the importance of accurate descriptions. Both identified variables they would like to see in the descriptions and indicated they would be willing to purchase slaughter cattle using this terminology. (Producers were asked to put themselves in the position of buyers in answering the question on willingness to buy.) Producers and packers generally agreed that the trend towards electronic marketing for slaughter cattle is a desirable trend.

Producers and packers also agree on some operational procedures which they would like to see in a future electronic system. Both would like to see auction markets involved in the new system and would prefer that an independent third party do the cattle grading. Neither favored a selling procedure which would allow the high bidder to take his pick of lots offered. Instead, both preferred a procedure where each lot of cattle is offered and sold separately. Both producers and packers identified the same carcass characteristics that should be used if the cattle were sold on a carcass basis. In case of a disagreement between a particular buyer and particular seller, both agreed that the manager of the marketing organization should settle the dispute. In the event of a disagreement between the marketing organization and an individual packer or producer, they agreed that the marketing organization's board of directors should handle the problem.

The Current Situation and Present Attitudes

Table 10 displays producer and packer responses to questions concerning the current situation and present attitudes. It exemplifies some of the differences in attitudes and experiences between producers of slaughter cattle and packers. A large majority of the responding packers would like to see changes in the current procurement systems for both slaughter cows and fed cattle. Producers are more evenly divided on the question. This implies that producers are more satisfied with the present system than packers and/or they are more resistant to change.

TABLE 10: PRODUCER AND PACKER RESPONSES TO QUESTIONS CONCERNING THE CURRENT SITUATION AND PRESENT ATTITUDES

Attitude, Experience, Expectation	Number Responding			
	Producers		Packers	
	Yes	No	Yes	No
Would like to see changes in the present marketing (procurement) system: for slaughter cows	32	34	16	3
for fed cattle	9	8	12	3
Have sold (bought) slaughter cattle "on the rail"	29	54	18	2
Producer: would your attitude towards selling "on the rail" improve if the packer would allow you to visit his plant whenever you choose? Packer: if buying "on the rail" would you allow producers to visit your plant whenever they choose?	29	48	20	0
Producer: would you comingle your slaughter cattle with others if you thought you could get a higher price? Packer: would you pay more for truckloads of similar cattle at one location than for the same cattle at 3-4 separate locations?	72	8	20	0
Would you pay at least as much to sell (buy) cattle over an electronic system as your present marketing (procurement) costs?	73	2	11	7

Thirty-five percent of the producers and 90 percent of the packers have sold (bought) cattle "on the rail". Of the producers and packers who have sold (bought) cattle this way, 83 percent of the packers had positive reactions and 56 percent of the responding producers had negative reactions. Of those who had not sold (bought) on a carcass basis, 82 percent of the responding producers and 50 percent of the packers would be willing to try it.

The packers interviewed would allow producers to observe their plant operations whenever they wish. However, 62 percent of the responding producers said this wouldn't improve their attitude toward selling "on the rail". Hence, packers generally like to buy on a carcass basis but many producers regard this method with suspicion. Producers will have to be convinced of greater profits (either through an educational effort or through favorable experiences) before selling "on the rail" will be acceptable to them.

All of the packers indicated they would pay more for truck loads of fairly uniform cattle at one location than for the same cattle at three to four separate locations. Few packers responded to how much extra they would pay, but the seven who did averaged $.35/cwt. Most of those not responding said they would be willing to pay an amount equal to at least the savings in transportation expense. Eighty-seven percent of the producers interviewed would be willing to commingle their cattle with other similar cattle if they thought they could receive a higher price. Producers thought an average price increase of $1.63/cwt. for commingling would be appropriate. Producers and/or packers must change their expectations regarding the added value of cattle which have been commingled for this to be successfully incorporated into an electronic system.

Nearly all of the producers and a majority of the packers would be willing to pay at least as much to sell (buy) cattle over an electronic system as their present marketing (procurement) costs. The greater number of both producers and packers also said this answer would change if the cattle were sold on the farm where the buyer could schedule the pickup date. Thirty-two producers indicated cattle would be worth $1.07/cwt. more to packers if sold on the farm. Only two packers answered the question but they indicated it would be worth an average of only $.24/cwt. to be able to schedule pickup of the cattle on the farm. Some economic incentive exists for both producers and packers but the perception of added value is significantly different.

Product Description

In interviewing the producers and packers, it became readily apparent that packers were much more familiar with the federal cattle grades than were producers. Most producers, for example, did not appear to know the difference between yield grade and dressing percent. An educational effort in this area could be productive and has the potential of improving pricing efficiency for any marketing system. However, it would be especially important in an electronic marketing system where cattle are sold by description.

Table 11 depicts the number of producers and packers selecting each variable as the single most important determinant of value (besides liveweight) in slaughter cattle. Forty-two percent of the responding producers thought quality grade was the most important determinant for slaughter cows, whereas 50 percent of the packers thought dressing percent was the most important. For fed cattle, 57 percent of responding producers thought quality grade most important while 50 percent of the packers felt yield grade was most important.

TABLE 11: NUMBER OF PRODUCERS AND PACKERS SELECTING EACH VARIABLE AS THE SINGLE MOST IMPORTANT DETERMINANT OF VALUE (Besides Liveweight) IN SLAUGHTER CATTLE

	Number Responding			
	For Slaughter Cows		For Fed Cattle	
Variable	Producers	Packers	Producers	Packers
Quality Grade	26	7	8	7
Yield Grade	6		2	9
Dressing Percent	19	10	4	2
Finish		2		
Breed	4			
Fill		1		
Age	4			
Other Variables	3			

Producers' and packers' rankings of descriptive variables (1 = most important) which should be used when slaughter cattle are sold on a liveweight basis, by description, are given in Table 12. Looking at the individual rankings for each variable we see little agreement between producers and packers. But the top five variables chosen by producers and packers are more consistent. For slaughter cows, both producers and packers ranked breed, liveweight (weighed), and quality grade in the top five. Producers wanted to include flesh condition and state of health, while packers wanted dressing percent and liveweight (estimated). For fed cattle, the variables contained in the top five rankings by both producers and packers are exactly the same with one exception -- liveweight (estimated) tied for fifth in the packer survey and was ranked eleventh in the producer survey. Both producers and packers ranked sex, breed, liveweight (weighed), quality grade and yield grade in the top five.

Table 13 shows producers' and packers' rankings of descriptive variables (1 = most important) which should be used when slaughter cattle are sold by description on a carcass basis. Both producers and packers agreed that breed, liveweight (estimated) and quality grade should be in the top five variables used for slaughter cows. Producers wanted flesh condition and state of health numbered in this category and packers wanted dressing percent and liveweight (weighed) included. For fed cattle, both agreed that sex, breed, quality grade and liveweight (estimated) should go in the top five category. Producers wanted to include dressing percent and packers wanted yield grade.

TABLE 12: PRODUCERS AND PACKERS RANK* OF DESCRIPTIVE VARIABLES (1 = most important) WHICH SHOULD BE USED WHEN SLAUGHTER ANIMALS ARE SOLD ON A LIVEWEIGHT BASIS BY DESCRIPTION

	For Slaughter Cows				For Fed Cattle			
	Producers		Packers		Producers		Packers	
Variable	Times Chosen	Rank	Times Chosen	Rank	Times Chosen	Rank	Times Chosen	Rank
Sex	N/A	N/A	N/A	N/A	16	1	13	4
Breed	38	3	16	3	8	4	14	1
Age in years	24	7	3	10	3	10	5	8
Liveweight (estimated)	12	9	12	5	0	11	10	5
Liveweight (weighed)	51	1	13	4	14	2	10	5
Quality grade	46	2	17	2	13	3	14	1
Yield grade	29	6	6	8	8	4	14	1
Dressing percent	24	7	19	1	6	6	6	7
Amount of flesh	37	4	8	7	5	7	2	11
Fill	8	10	6	8	4	8	2	11
State of health	35	5	11	6	4	8	3	9
Other variables	0	11	2	11	0	11	3	9

*Rank is based on the number of producers or packers selecting each particular variable.

TABLE 13: PRODUCERS AND PACKERS RANK* OF DESCRIPTIVE VARIABLES (1 = most important) WHICH SHOULD BE USED WHEN SLAUGHTER ANIMALS ARE SOLD ON A CARCASS BASIS BY DESCRIPTION

	For Slaughter Cows				For Fed Cattle			
	Producers		Packers		Producers		Packers	
Variable	Times Chosen	Rank	Times Chosen	Rank	Times Chosen	Rank	Times Chosen	Rank
Sex	N/A	N/A	N/A	N/A	14	1	15	3
Breed	32	4	17	3	9	5	13	4
Age in years	19	8	2	10	4	9	5	7
Liveweight (estimated)	58	1	18	1	11	2	13	4
Liveweight (weighed)	4	10	9	4	2	11	6	6
Quality grade	40	2	18	1	11	2	15	2
Yield grade	25	7	5	7	7	6	16	1
Dressing percent	27	6	9	4	10	4	1	10
Amount of flesh	33	3	5	7	5	8	1	10
Fill	9	9	3	9	6	7	2	8
State of health	29	5	8	6	3	10	2	8
Other variables	0	11	0	11	0	12	1	10

*Rank is based on the number of producers or packers selecting each particular variable.

Both producers and packers agreed on carcass characteristics which should be identified if the cattle are sold on a carcass basis. The variables chosen were: carcass weight, quality grade, yield grade and sex of animal (if fed cattle). Assuming other things equal, a heavier carcass should be more valuable than a lighter carcass since it takes about the same amount of time to break each carcass. Producers felt price should be reported for every 91 pounds of carcass weight for slaughter cows and every 82 pounds for fed cattle. In contrast, the average of the price intervals for price reporting purposes in the packers' responses was 77 pounds for slaughter cows and 120 pounds for fed cattle.

In summary, there are no wide areas of disagreement between producers and packers concerning which variables to use in describing the slaughter cattle -- regardless of whether they are sold on a carcass or liveweight basis. As long as 4 or 5 descriptors are used, it should include the descriptive terms that both producers and packers want. However, there is an underlying problem. Producers need to be better informed on the federal grading standards. If a producer's animal is discounted in price becuase it is a Yield Grade 4, for example, he needs to know why the discount is there and why the animal falls in this particular grade. If the producer does not understand these issues, it is likely to cause dissatisfaction with the system of selling.

Performance Guarantee

The responses of producers and packers concerning the type of contracts they would like to see in an electronic marketing system are displayed in Table 14. Wide differences of opinion are clearly visible. Seventy-four percent of the responding producers would like to see either a written or bonded written contract, but 86 percent of the responding packers would prefer an oral agreement. No contractural arrangement can be designed which will be completely satisfactory to both producers and packers. A compromise will be required.

TABLE 14: PRODUCER AND PACKER RESPONSES AS TO THE TYPE OF CONTRACTS THEY WOULD PREFER IN AN ELECTRONIC MARKETING SYSTEM

	Number Responding			
	Type for Producers		Type for Packers	
Type of Contract	Producers Responding	Packers Responding	Producers Responding	Packers Responding
Oral	21	12	12	18
Written	48	2	38	2
Bonded Written	11		31	

Table 15 presents producers' and packers' responses as to when title of ownership (and liability for death loss, etc.) should change. Two different marketing alternatives are examined. The first alternative involves a system in which the cattle are sold by description on the farm and are later hauled to a collection point by the producer to be picked up by the buyer. The second alternative involves a system where cattle are sold by description at an assembly point. For both alternatives, most producers want title to change when the cattle are delivered to the assembly point. Most packers want the title to change when the cattle are loaded on the packer's truck. These responses dictate one of two alternatives. Producers and packers will either have to compromise or else another party (such as the central organization) will have to be found to assume the liability while the cattle are at the assembly point. Regardless of the choice, it is essential that both producers and packers know exactly when title (and the related liability) changes if conflicts and problems are to be avoided.

TABLE 15: PRODUCER AND PACKER RESPONSES AS TO WHEN TITLE OF OWNERSHIP (and liability for death loss, etc.) SHOULD CHANGE FOR TWO DIFFERENT MARKETING ALTERNATIVES*

Point at which title should shift	Number Responding			
	Alternative 1		Alternative 2	
	Producers	Packers	Producers	Packers
When sold	10		30	4
When loaded at farm	7		3	
When delivered to assembly point	50		43	
When weighed	5	2	1	1
When loaded on buyers truck	10	16	3	11
When unloaded at packing plant		2		2

*Alternative 1: Cattle are sold by description on the farm and are later hauled to a collection point by the producer to be picked up by the buyer; Alternative 2: Cattle are sold by description at an assembly point

Organization and Operation

Producer and packer responses to questions concerning the operation of an electronic marketing system are given in Table 16. The majority of producers had no objections to regressive bidding but few had actual experience with the procedure. Packers were evenly split on the issue. Most of the producers and packers that had objections to regressive bidding were fairly adamant in their objections. This means if regressive bidding is used, up to half of the packers and roughly a third of the producers may not participate.

TABLE 16: PRODUCER AND PACKER RESPONSES TO QUESTIONS CONCERNING THE OPERATION OF AN ELECTRONIC MARKETING SYSTEM

Topic	Number Responding			
	Producers		Packers	
	Yes	No	Yes	No
Have objections to a system using regressive bidding	26	45	9	9
Would prefer cattle be sold on the farm and delivered to an assembly point on a day the buyer specifies (within a week of purchase), rather than a system which sells the cattle at an assembly point	22	33	18	2
Would prefer competitive bids on each animal or groups of like kind, rather than competitive bids on an average animal with premiums and discounts tied to some market report	56	19	9	9
Feel that in an electronic system containing ten or more buyers, sufficient competition would exist to insure bid prices would always be a reasonable approximation of true slaughter value	38	45	19	1

A majority of producers prefer the cattle be sold by description at an assembly point. A large majority of packers would like to see the cattle sold on the farm and delivered to an assembly point on a day they specify within a week of purchase. Most producers had objections to this system because of the uncertainty involved in when they would have to deliver the cattle to the assembly point. One possible solution could be to sell the cattle on the farm with a prespecified day of delivery. Such a system would have the advantage of giving the producer more bargaining power and giving the packers the procedure they preferred.

Seventy-five percent of the responding producers would rather see competitive bids on each animal, or groups of like kind, rather than competitive bids on an average animal with premiums and discounts tied to some market report. Packers were evenly divided on the question. Producers were concerned that packers were more likely to give discounts than premiums on cattle.

In an electronic system containing ten or more buyers, 95 percent of the packers felt sufficient competition would exist to insure bid prices would be competitive and a reasonable approximation of true slaughter value. Fifty-four percent of the responding producers did not agree -- they still wanted "no sale" provisions in the system. The majority of both producers and packers indicated that the setting of a reservation price by the producer, or giving the marketing organization the authority to stop a sale when it feels bids are not reflecting a fair market price, would be acceptable.

Tables 17 and 18 depict producer and apcker responses regarding who should own, control and finance the electronic marketing organization. Thirty-eight percent, 34 percent and 19 percent of the responding producers thought the organization should be owned and controlled by producers and packers, producers, or a third party respectively. Packers were evenly divided between producer owned, third party owned and indifference. The

evidence indicates the marketing organization should be owned and controlled by either producers or a third party. The greater number of producers feel both producers and packers should finance the system, while the greater number of packers think it should be producer financed.

TABLE 17: PRODUCER AND PACKER RESPONSES REGARDING WHO SHOULD OWN AND CONTROL THE ELECTRONIC MARKETING ORGANIZATION

Parties which own and control	Number Responding	
	Producers	Packers
Producers	26	5
Packers	2	
Third party	15	5
Producers and Packers	29	
Packers and third party	1	
Producers, packers, and third party	4	
Doesn't matter		5

TABLE 18: PRODUCER AND PACKER RESPONSES REGARDING WHO SHOULD FINANCE THE ELECTRONIC MARKETING ORGANIZATION

Parties which should finance	Number Responding	
	Producers	Packers
Producers	32	7
Packers	1	
Producers and packers	38	4
Doesn't matter	1	1

V. SUMMARY AND CONCLUSIONS

In the previous sections we examined the producer survey, the packer survey and the interface between the two groups. This section will summarize each of those sections and draw conclusions about characteristics of an electronic marketing system which the surveys have suggested.

The Producer Survey

The producer survey provided basic information about producers of Virginia slaughter cattle. Eighty-eight percent of the producers selling slaughter cows sold 20 head or less per year. Dairymen generally sold more slaughter cows annually than beef cow-calf producers. Producers living in the northern region of Virginia generally sold more slaughter cows per year than producers living in other regions of the state. Eighty-eight percent of the cattle feeders sold 20 head or more of fed cattle per year with 53 percent selling more than 50 head per year. The northern region of Virginia had nearly three-fourths of the feeders and sold 79 percent of the fed cattle.

Practically all of the slaughter cows (97%) were sold through weekly auctions and the majority of fed cattle (62%) were sold directly to the packer. Both slaughter cow and fed cattle marketings peaked in October with seasonal lows in April and July respectively.

Dairymen, feeders and beef cow-calf producers all generally feel they receive a fair price for the slaughter cattle they market, believe slaughter cattle can be sold effectively by description and would be interested in marketing their slaughter cattle via some electronic medium. Of the three groups, dairymen appear to be the most satisfied with the present marketing system for slaughter cattle and are the most resistant to changes in this system.

The Packer Survey

The packer survey obtained primary data from twenty packers located in Virginia and surrounding states. The majority of slaughter cows (69%) were purchased through weekly auction markets by packer buyers. The majority of fed cattle (64%) were purchased directly from feeders by packer buyers. Forty percent of the packers bought more than 500 head of slaughter cows per week. Seventy percent of the packers interviewed slaughtered fed cattle as well as slaughter cows. An estimated 85 percent of the plants slaughtering cows and 79 percent of the plants slaughtering fed cattle would bid on truck load lots (35-50 head) of slaughter cattle.

Packing plants of all sizes would like to see changes in the procurement systems they are presently using, believe slaughter cattle can be bought effectively by description and believe the trend towards electronic marketing is good. A majority of the packers interviewed use a federal grader on at least a part-time basis and would be willing to pay a fee to tie into an

electronic marketing system. Most packers would be willing to pay a fee which makes their total procurement costs the same or slightly more than their present costs.

The Interface Between the Producer and Packer Surveys

When comparisons were made across the producer and packer surveys, areas of agreement and areas of disagreement were found. It was discovered that both the producers and the packers interviewed deal in slaughter cattle of roughly the same weights. Both feel they receive (pay) a fair price for their slaughter cattle and are generally satisfied with the convenience of the current marketing (procurement) system. For a ten-hour period, each expects about the same amount of shrink for slaughter cattle on a live-weight basis and neither would expect tissue (carcass) shrink to be a problem if the cattle were sold "on the rail". Both feel slaughter cattle can be sold (bought) effectively by description and indicated they would be willing to purchase slaughter cattle using descriptive terminology they identified. Both producers and packers identified essentially the same carcass characteristics that should be used when cattle are sold on a carcass basis and both felt that the trend towards electronic marketing is desirable.

In a new sytem where cattle are sold by description, both producers and packers would like to see auction markets involved and would like to see a third party do the grading. They both prefer that each set of cattle be auctioned separately rather than let the high bidder take his pick of lots. Producers and packers agreed that, depending upon the nature of the problem, either the manager of the marketing organization or its board of directors should settle any disputes that might arise.

The producers and packers interviewed did not, however, agree on other issues. A large majority of the responding packers would like to see changes in the present procurement system, whereas producers were almost evenly split on the issue. Most packers have purchased cattle "on the rail", and all would allow producers to observe their plant operations whenever they choose. In contrast, most producers have not sold any cattle "on the rail" and indicated that visiting the packing plants would not change their often negative attitude about selling on a carcass basis. Both producers and packers agreed that truckloads of commingled cattle would be worth more but disagreed on the magnitude of the increased value.

Producers and packers disagreed as to what was the single most important determinant of value (besides liveweight) for both slaughter cows and fed cattle. When asked to rank variables which could be used in describing slaughter cattle, little agreement was found between the individual rankings selected by producers and packers. When, however, the top five descriptive variables chosen by producers and packers were compared, the differences were smoothed considerably. Producers would like to see a written contract (bonded or unbonded) used by the participants of an electronic marketing system, while packers generally preferred an oral agreement be used. Producers would like to see title to the slaughter cattle (and liability for death loss, etc.) change when the cattle are delivered to the assembly point, whereas packers do not want it to change until the cattle are loaded on the buyers truck.

The majority of producers do not have objections to regressive bidding, while packers were evenly divided on the question. Producers prefer the slaughter cattle be sold at an assembly point. Packers prefer they be sold on the farm and delivered to an assembly point on a day the buyer specifies within a week of purchase. Producers would like to see competitive bids on each animal or groups of like kind rather than competitive bids on an average animal with premiums and discounts tied to some market report. Packers were evenly divided on the issue. Assuming an electronic marketing system with ten or more buyers, producers did not feel sufficient competition would exist to insure that bid prices would always be indicative of true slaughter value. In contrast, almost all packers (95%) felt sufficient competition would exist in such a system.

Producers and packers disagreed as to who should own, control and finance an electronic marketing organization. Producers believe the organization should be owned and controlled by both producers and packers. Packers were evenly divided between producer owned, third party owned and indifference. Producers felt that both producers and packers should share in financing the organization, while packers thought the organization should be producer financed.

Conclusions

The surveys have given a broad understanding of the needs, desires and biases of the producers and packers interviewed. They have suggested characteristics which an electronic marketing system should and should not possess, and have identified some gray areas with no clear-cut answers.

A new electronic marketing system should use progressive instead of regressive bidding. Producers should be given the choice of selling their cattle on a liveweight basis. A third party should do the grading. Each set of cattle should be auctioned separately. Bids should be received on the particular grade of cattle offered for sale rather than on an average animal with premiums and discounts tied to some market report. The marketing organization should have the authority to stop a sale when it feels bids are not reflecting a fair market value and/or the producer should be able to set a reservation price for his cattle.

Using breed, liveweight, quality grade, dressing percent, amount of finish and state of health in describing slaughter cows should be mutually acceptable to both producers and packers. Using sex, breed, liveweight, quality grade, dressing percent and yield grade for fed cattle should be satisfactory. An estimate of the liveweight would be acceptable if the cattle were sold "on the rail" but actual liveweight would be needed if sold "on the hoof". Producers do not, however, appear to have adequate knowledge of the federal grading standards.

The marketing organization's manager or its board of directors should settle any disputes or disagreements that might arise. The seasonal nature of slaughter cattle marketings should be kept in mind when considering the

frequency of sales, the number of assembly points and cash flows. Auction markets should participate in a new system where cattle are sold electronically by description.

Producers and packers disagree in some areas which have significance for an electronic marketing system. The surveys gave no conclusive answer as to what type of contractural arrangement (oral, written, bonded written) should be used. Answers to such questions as when title to the cattle should change, who should own and control an electronic marketing organization, whether to sell the cattle on the farm or at an assembly point and what size lots should be offered for sale were not apparent.

The surveys have given a broad understanding of what producers and packers want in an electronic marketing system. They have underlined the need for education in some areas and for compromise in others. By designing an electronic system in a manner compatible with these revealed needs of the participants, it should be possible to develop a system which is both workable and beneficial to producers, packers and to the livestock marketing system of the state.

APPENDIX

Appendix Table A. Questionnaire used for Virginia Slaughter Cattle Producers With a Summary of Their Responses, 1979.

COVER PAGE

1. Name _____

2. Address _____

_____

3. Phone number _____

4. How many head of slaughter cattle do you sell through each marketing channel per year?

	Slaughter Cows	Fed Cattle
Weekly auctions	811 (97.1%) head/yr.	214 (11.2%) head/yr.
Special graded sales	N/A head/yr.	510 (26.6%) head/yr.
Tel-o-auction	0 head/yr.	0 head/yr.
Direct	17 (2.0%) head/yr.	1192(62.2%) head/yr.
Order buyer	7 (.9%) head/yr.	0 head/yr.

5. How many head of slaughter cows do you normally market in each of the following months?

58 (7.8%) Jan.	82(11.1%) May	64 (8.6%) Sep.
53 (7.2%) Feb.	69(9.3%) June	104(14.1%) Oct.
41 (5.5%) Mar.	46(6.2%) July	67 (9.1%) Nov.
37 (5.0%) Apr.	56(7.6%) Aug.	63 (8.5%) Dec.

6. How many head of fed cattle do you normally market in each of the following months?

77 (3.7%) Jan.	224(10.9%) May	87 (4.2%) Sep.
77 (3.7%) Feb.	224(10.9%) June	373(18.1%) Oct.
167 (8.1%) Mar.	79(3.8%) July	322(15.6%) Nov.
247(12.0%) Apr.	100(4.8%) Aug.	87(4.2%) Dec.

7. How would you classify the slaughter cows you sell (check only one)?

26 fat 38 medium flesh 2 thin

8. What is the average weight of the slaughter cattle you sell?

slaughter cows 1,086 pounds (Range 700-1,450)
fed steers 1,096 pounds (Range 1,000-1,200)
fed heifers 911 pounds (Range 800-1,000)

PART I. THE CURRENT SITUATION AND PRESENT ATTITUDES

1. Do you feel you receive a fair price for the slaughter cows you market?

   45 yes 20 no

   If no, why not? Not enough buyers; buyers collude.

2. Do you feel you receive a fair price for the fed cattle you market?

   13 yes 4 no

   If no, why not? Market adjusts slowly for price increases and rapidly for price declines; price here is below midwestern quotes.

3. Are you satisfied with the convenience (time required, frequency of sales, etc.) offered by the marketing method you are presently using?

   For Slaughter cows: 59 yes 7 no; Why? No - takes too much time.

   For Fed cattle: 16 yes 1 no; Why? No - takes too much time.

4. Would you like to see changes in the marketing system you are now using?

   For Slaughter cows: 32 yes 34 no; What type of changes?

   20 more buyers; 5 better physical facilities; 2 electronic marketing; 2 others.

5. Have you sold cattle "on the rail" or on a carcass weight and grade basis?

   29 yes 54 no

   If yes, is your reaction positive or negative and why? 11 Positive, 14 Negative; Negative - just didn't like, low price, low weights, didn't get as much money; Positive - good if you have good cattle.

6. If the packer were willing to allow you or your representative to observe his plant operations whenever you choose, would it make selling "on the rail"

   12 much more acceptable
   17 slightly more acceptable
   48 wouldn't change my attitude towards selling on the rail

7. Assume it takes 10 hours from the time the cattle are weighed until they reach the packing plant. On a liveweight basis, what percent shrink or weight loss would you expect?

   5.80 (Range 1.5-15) % for slaughter cows 4.13 (Range .5-10) % for fed cattle

   If these same cattle were sold by carcass weight would you expect tissue (carcass) shrink to be a problem? 13 yes 37 no If yes, what percent shrink would you expect?

   2.12 (Range 1-4.5) % for slaughter cows No Answers % for fed cattle

8. Assume each slaughter animal is sold by carcass weight and grade. Would you be willing to comingle your cattle with other similar cattle and sell them as a group if you thought you could get a better price?

__8__ no, if no, why not? Just don't want to; wouldn't get a better price anyway.

__72__ yes, if yes, how much price increase do you feel would be appropriate? $ 1.63 per cwt., (Range $.60-$8.00)

9. Assume an electronic marketing system exists which sells slaughter cattle by description and which has 10 or more buyers tied into the system. Compared to your present marketing costs, would you be willing to pay __42__ more, __31__ the same, or __2__ less per head to sell cattle over such a system. Would your answer change if you could leave the cattle on the farm until they are sold? __42__ yes __34__ no I would be willing to pay $10.67, (Range $1.00-$50.00) per head more to sell the cattle while they are still on the farm.

10. Do you have any objections to an auction system that uses regressive bidding rather than progressive bidding? __45__ no __26__ yes __12__ uncertain; Why? Yes - unfamiliar with regressive bidding, buyers may collude, will bring lower price.

11. Do you think slaughter cattle can be sold effectively from the viewpoint of the seller, when the buyer cannot see the cattle and trade is on a description basis? __41__ yes __27__ no; Why? No - would still want to see the cattle.

12. Which procedure would you prefer?

__22__ 1) the cattle are sold by description on the farm and are delivered to a pickup point on a day the buyer specifies (within a week of purchase)

__33__ 2) the cattle are sold by description at an assembly point such as a local auction, etc.

Would you say your choice above is __13__ much better, __23__ a little better, or __32__ about the same as the second choice?

13. Do you think the trend we are seeing toward tel-o-auctions or other electronic methods of selling cattle is a desirable trend?

__60__ yes __10__ no; Why? Yes - should increase number of buyers, should increase efficiency; no - satisfied with present system.

14. Would you be interested in marketing any of your slaughter cattle by tel-o-auction or other electronic medium? __53__ yes __19__ no __11__ uncertain; Why? Yes - willing to try; no - satisfied with present system, too much trouble; uncertain - need to know more about it.

15. In an electronic marketing system how would you prefer to sell your cattle?

__41__ each set of cattle is auctioned separately

__25__ conduct the auction and let the high bidder pick one or more lots and then repeat the procedure on the remaining lots

PART II. PRODUCT DESCRIPTION

1. For slaughter cattle of the same class, how much difference can there be in value between animals?

slaughter cows	$ 7.46	per cwt. (Range $0-20)
fed steers	$ 6.16	per cwt. (Range $1.50-17.00)
fed heifers	$ 6.10	per cwt. (Range $1.50-16.00)

2. Besides liveweight, what is the single most important determinant of value in slaughter cattle?

26 quality grade, 19 dressing percent, 6 yield grade, 4 breed, 4 age, 3 others slaughter cows

8 quality grade, 4 dressing percent, 2 yield grade fed cattle

3. Rank in order of importance (1 = most important) all the following you feel should be used in describing a slaughter animal if trade is on the basis of description of live animals and the buyer cannot see the cattle?

	Slaughter Cows		Fed Cattle	
	Times Chosen	Average Rank	Times Chosen	Average Rank
Sex	N/A	N/A	16	1.00
Breed	38	3.08	4	4.12
Age in years	24	2.67	3	3.67
Liveweight (estimated)	12	2.58	0	N/A
Liveweight (weighed)	51	3.18	14	3.29
Quality grade	46	2.26	13	2.31
Yield grade	29	2.52	8	3.00
Dressing percent (yield)	24	2.33	6	4.00
Amount of flesh or finish	37	2.46	5	5.20
Fill	8	3.50	4	4.25
State of health	35	2.34	4	4.50
Other _____	0	N/A	0	N/A
_____				

4. If you were the packer, would you be willing to buy cattle on a live basis using the terminology or descriptive terms you identified in #3?

72 yes 10 no

If yes, what questions concerning the cattle would still be unanswered?

None; reputation of producer; origin of cattle; history of antibiotics used; bruise damage.

What would you do to offset these unanswered questions?

Discount price; wouldn't buy.

If no, what other conditions would you require?

Would still want to see the cattle.

5. How would you like to sell your slaughter cattle if they were sold live on a description basis?

56 1) Competitive bids on each animal or groups of like kind in terms of sex, breed, class, and weight.

19 2) Competitive bids on an average animal with price premiums and discounts tied to the differences by grade, weight, finish, etc. in some market report such as the yellow sheet.

6. If the cattle are being bought on the rail or on a carcass grade and weight basis, what variables do you feel need to be identified to sort the cattle into loads so the buyer will know what he is getting?

	Times Chosen	
	Slaughter Cows	Fed Cattle
Sex	N/A	14
Breed	32	9
Age in years	19	4
Liveweight (estimated)	58	11
Liveweight (weighed)	4	2
Quality grade	40	11
Yield grade	25	7
Dressing percent (yield)	27	10
Amount of flesh or finish	33	5
Fill	9	6
State of health	29	3
Other _____	0	0
_____		

7. If the cattle are sold on the rail, what carcass characteristics should be used to describe carcasses of different value which ought to go at different prices?

	Slaughter cows	Fed cattle
Carcass weight	64	15
what weight increments?	91.10 lbs.	82.14 lbs.
Quality grade (USDA grade)	63	15
Yield grade (USDA grade)	62	15
Sex of animal (if fed cattle)	N/A	13
Other _____		
_____		

PART III. PERFORMANCE GUARANTEES

1. Assume you are selling cattle through a new system which describes the cattle and sells them before they leave the farm. You later haul the cattle to a collection point to be picked up by the buyer. When do you think title to the cattle (and liability for death loss, etc.) should change?

50-when delivered to assembly point; 10-when loaded on buyers truck; 10-when sold; 7-when loaded at the farm; 5-when weighed.

2. Another approach would be to have you move your cattle to a local holding facility and have them described there and sold to buyers who buy on a description basis. When should the title of ownership (and liability) change?

   43-when delivered to assembly point; 30-when sold; 3-when loaded on buyers truck; 3-when loaded at the farm; 1-when weighed.

3. Would you be willing to sell cattle under an agreement where you guarantee live delivery to the packing plant, if you thought you could receive a higher price? 59 yes 23 no
   If yes, how much higher would the price have to be? $ 2.24 per cwt. (Range $0-8)
   If no, why not? Don't know how truckers will treat the cattle; Don't have any control over the cattle.

4. If there was a marketing organization providing the connection between you and the buyer and handling the sale by telephone or other electronic medium, do you think it would make sense for the marketing organization to guarantee live delivery to the packing plant? 48 yes 32 no;

   Why? Yes - just makes sense; No - packer and trucker should share the responsibility after the cattle are picked up.

   If yes, how should the cost of this guarantee be met? 24-by producers and packers; 11-by producers; 6-by packers.

5. If the buyer were asked to accept the liability of death loss after the cattle left your farm, do you think this would influence their price bids?
   51 yes 24 no

   If yes, how much? $ 2.32 per cwt. (Range $.25-9.00)

6. In a marketing system where trading occurs by telephone or other electronic medium, what arrangement would you like to see to insure the performance of both buyer and seller?

   Buyer
   12 oral agreement
   38 written contract
   31 written contract with performance bond
   _____ other _____
   Why? _____

   Seller
   21 oral agreement
   48 written contract
   11 written contract with performance bond
   _____ other _____
   Why? _____

PART IV. ORGANIZATION AND OPERATION

1. Assume an electronic marketing organization is established. Who or what group should own and control the organization?

29-producers and packers; 26-producers; 15-third party; 4-producer, packer and third party; 3-other combinations.

How should the organization be financed?

38-producers and packers; 32-producers; 1-packer; 1-indifferent

2. The current system is based on direct movement, order buyer activity, and local auction markets. Should local auction markets be involved in a new system where cattle are sold by description? 63 yes 16 no

If yes, what role should they play? assembly; weighing; arranging trucking; accepting and dispursing payments; agent.

3. Producers are sellers and packers are buyers. There is a natural conflict of interest. If cattle are sold by description on a liveweight basis, should there be some objective third party outside the market organization to grade or describe the cattle or do you feel the marketing organization should handle this task?

67-third party; 14-market organization.

Why?

Third party - more objective, more likely to be able to grade cattle correctly; market organization - why pay third party, don't like state graders.

4. Assume you are selling cattle through an electronic marketing system which has at least ten buyers tied into the system. Do you feel "no sale" provisions would be necessary to insure you always get a fair price? 45 yes 38 no; If yes, which "no sale" provisions would be acceptable to you?

61 1) You set a mininum price when you consign the cattle.
77 2) You give the marketing organization the authority to stop sales when it feels the bids are not reflecting a fair market price.
____ 3) Other _____

5. In the event of a disagreement between a particular buyer and seller when cattle are sold by description, who should settle the dispute?

31 the manager of the marketing organization
20 Board of Directors of the marketing organization
19 independent third party
____ other _____

6. In the event of a disagreement between a particular buyer or seller and the marketing organization which is the middle man in sales by description, who should settle the dispute?

9 a special producer committee
33 Board of Directors of the marketing organization
21 independent third party
____ other _____

Appendix Table B. Questionnaire Used for 20 Eastern Packers With a Summary of Their Responses, 1979

COVER PAGE

1. Name _____

2. Address _____

_____

3. Phone Number _____

4. How many head of slaughter cows do you buy through each marketing channel per year? How many fed cattle?

	Slaughter Cows	Fed Cattle
Weekly auctions	304,877 (68.9%)	15,415 (17.8%)
Special graded sales	N/A	2,453 (2.8%)
Tel-o-auction	100 (< .1%)	100 (.1%)
Direct	28,940 (6.5%)	55,775 (64.3%)
Order Buyer	108,267 (24.5%)	13,060 (15.0%)
From Virginia	114,852 (26.0%)	17,111 (19.7%)

5. How many head of slaughter cows do you normally buy each week?

598 hd./wk average, Range 50-2,613 hd./wk.

6. How many head of fed cattle do you normally buy each week?

374 hd./wk. average, Range 40-2,000 hd./wk.

7. What percent of your slaughter cattle are bought FOB plant?

Slaughter cows 29.6 %, Range 0-80%; Fed cattle 30.9 %, Range 0-90%

8. Do you have a Federal grader in your plant

8 Daily? 6 plants average 1.9 days per week? 5 no grader

Do you have a state or Federal inspector in your plant

18 Daily? 2 plants average 3 days per week?

9. What type of slaughter cows do you buy?

8	all types	8	utility boner
1	commercial	10	cutter
5	utility breaker	6	canner

10. What is the average weight of the slaughter cattle you buy?

slaughter cows 1090 pounds, (Range 900-1,350 lbs.)
fed steers 1070 pounds, (Range 900-1,250 lbs.)
fed heifers 923 pounds, (Range 800-1,100 lbs.)

PART I. THE CURRENT SITUATION AND PRESENT ATTITUDES

1. Do you feel you get your slaughter cows bought at a reasonable cost into the plant?

   15 yes 4 no

   If no, why not? _____

2. Do you feel you get your fed cattle bought at a reasonable cost into the plant?

   10 yes 4 no

   If no, why not? _____

3. Are you satisfied with the convenience (time required, frequency of sales, etc.) offered by the procurement method you are presently using?

   For slaughter cows: 14 yes 6 no; Why? _____

   For fed cattle: 10 yes 4 no; Why? _____

4. Would you like to see changes in the procurement system you are now using?

   3 no 16 yes: What type of changes? Cheaper procurement costs; Spend less time buying; use outweights; schedule kill.

5. Have you bought cattle "on the rail" or on a carcass weight and grade basis?

   18 yes 2 no

   If yes, is your reaction positive or negative and why? 15-positive, 2-negative. Positive - get what you pay for; Negative - too much trouble.

   If no, would you be willing to buy "on the rail"? 1 yes 0 no
   1 uncertain

6. If you are now buying or are willing to buy "on the rail" would you allow producers or their representative to observe your plant operations whenever they choose? 20 yes _____ no

   Why? Would encourage it.

7. Assume it takes 10 hours from the time the cattle are weighed until they reach the packing plant. On a liveweight basis, what percent shrink or weight loss would you expect?

   4.5% (Range 3-11%) for slaughter cows
   3.6% (Range 1-8.5%) for fed cattle

   If these same cattle were sold by carcass weight, would you expect tissue (carcass) shrink to be a problem? 2 yes 7 no
   If yes, what percent shrink would you expect?

   2.5% for slaughter cows 1.3% for fed cattle

8. If producers comingled their cattle so you could buy truck loads of fairly uniform cattle at one location, would you pay more for these cattle than for the same cattle at 3-4 separate locations? 20 yes 0 no

If no, why not? _____

If yes, how much more? 7 responding averaged $.35 per cwt., 13 no answers Most no answers said they would pay at least the savings in transportation expense.

9. Assume an electronic marketing system exists which provides information on the number of slaughter cattle being offered for sale (by location and grade) and sells the cattle by description. Would you be willing to pay a fee to tie into this system (assume all questions about description are worked out to your satisfaction)? 12 yes 6 no

If no, why not? Producers responsibility

If yes, compared to your present procurement costs would you be willing to pay 3 more, 8 the same, or 1 less per head? Would your answer change if you could decide what day the cattle could be picked up?

7 no 10 yes - I would be willing to pay $.24 per cwt. more to schedule the pick-up date on the cattle.

10. Do you have any objections to an auction system that uses regressive bidding rather than progressive bidding? 9 no 9 yes; Why?

Yes - unfamiliar with system, prefer old system; No - regressive system is best, big guy can't push little guy around.

11. Do you think slaughter cattle can be bought effectively from your viewpoint, when you cannot see the cattle and trade is on a description basis?
15 yes 5 no; Why? No - want to see the cattle; Yes - must have accurate description, will know with experience.

12. Which procedure would you prefer?

18 1) the cattle are held on the farm and then are delivered to a pick-up point on the day you specify (within a week of purchase)
2 2) the cattle go to an assembly point where they should be picked up in 24 hours

Would you say your choice above is 10 much better, 6 a little better, or 1 about the same as the second choice?

13. Do you think the trend we are seeing toward tele-auctions or other electronic methods of selling cattle is a desirable trend?

12 yes 2 no; Why? Yes - more efficient, less cost, opens new procurement channels; No - no small lots

14. In an electronic marketing system, how important is it to you to have a description of all the lots of cattle available before the sale is begun?

12 essential 6 important 1 slightly important
1 not important

Why? Can plan buying

15. If you have seen descriptions of all the cattle by number, grade, and location, which of the following procedures would you prefer?

15 each set of cattle is auctioned separately
5 conduct the auction and let the high bidder pick one or more lots and then repeat procedure on the remaining lots.

PART II. PRODUCT DESCRIPTION

1. For slaughter cattle of the same class, how much difference can there be in value between animals?

slaughter cows $ 9.33 per cwt., (Range $0-15.00)
fed steers $ 4.50 per cwt., (Range $0-10.00)
fed heifers $ 4.83 per cwt., (Range $0-10.00)

2. You buy cows or fed cattle by the load. Put a price on the best and worst individual animal in the average or typical load if you have:

A. A load of fed steers at $60.00 per cwt. (all grade choice)
The best steer is worth $ 63.17 per cwt.
The worst steer is worth $ 56.94 per cwt.

B. A load of canner and cutter slaughter cows at $50.00 per cwt.
The best cow is worth $ 54.96 per cwt.
The worst cow is worth $ 44.77 per cwt.

3. Besides liveweight, what is the single most important determinant of value in slaughter cattle?

10 dressing percent, 7 quality grade, 2 finish, 1 fill slaughter cows
9 yield grade, 7 quality grade, 2 dressing percent fed cattle

4. Rank in order of importance (1 = most important) all the following you feel should be used in describing a slaughter animal if trade is on the basis of description of the live animals and you cannot see the cattle.

	Slaughter Cows		Fed Cattle	
	Times Chosen	Average Rank	Times Chosen	Average Rank
Sex	N/A	N/A	13	1.31
Breed	16	2.00	14	2.43
Age in years	3	5.33	5	1.00
Liveweight (estimated)	12	1.75	10	1.50
Liveweight (weighed)	13	1.62	10	1.20
Quality grade	17	2.12	14	1.71
Yield grade	6	2.17	14	1.64
Dressing percent (yield)	19	1.47	6	2.17
Amount of flesh or finish	8	1.75	2	2.50
Fill	6	3.50	2	1.00
State of health	11	2.73	3	3.00
Other location	1	1.00	1	1.00
grub treatment	1	1.00	1	1.00
mud	0	N/A	1	5.00

5. Would you be willing to buy cattle on a live basis using the terminology or descriptive terms you identified in #4 ? 18 yes 2 no

If yes, what questions concerning the cattle would still be unanswered?

Feeding conditions; grub treatment; weighing conditions; most said no questions would be left.

What would you do to offset these unanswered questions?

Discount price.

If no, what other conditions would you require?

Would want to see the cattle.

6. How would you like to buy your slaughter cattle if they were sold live on a description basis?

9 1) Competitive bids on each animal or groups of like kind in terms of sex, breed, class and weight.

9 2) Competitive bids on an average animal with price premiums and discounts tied to differences by grade, weight, finish, etc. in some market report such as the yellow sheet.

7. If the cattle are being bought on the rail or on a carcass grade and weight basis, what variables do you feel need to be identified to sort the cattle into loads so you will know what you are getting?

	Times Chosen	
	Slaughter Cows	Fed Cattle
Sex	N/A	15
Breed	17	13
Age in years	2	5
Liveweight (estimated)	18	13
Liveweight (weighed)	9	6
Quality grade	18	15
Yield grade	5	16
Dressing percent (yield)	9	1
Fill	3	2
State of health	8	2
Other amt. of finish	5	1
how fed	0	1

8. If the cattle are sold on the rail, what carcass characteristics should be used to describe carcasses of different value which ought to go at different prices?

	Slaughter cows	Fed cattle
Carcass weight	19	14
what weight increments*	77 lbs.	120 lbs.
Quality grade (USDA grade)	18	14
Yield grade (USDA grade)	8	14
Sex of animal (if fed cattle)	N/A	14
Other Color of fat	1	1

*In cows: 2 wanted break at 350, 3 at 400, 2 at 450, and 1 at < 300 and > 500.
For fed cattle: 1 wanted break at 650, 1 at 550, 1 at 500 and 900, and 1 at < 500 and > 700.

PART III. PERFORMANCE GUARANTEES

1. Assume you are buying cattle through a new system which describes the cattle and sells them before they leave the farm. The producer later hauls the cattle to a collection point to be picked up by you. When do you think title to the cattle (and liability for death loss, etc.) should change?

   16-when loaded on buyers truck; 2-when weighed; 2-when the cattle reach the packing plant.

2. Another approach would be to have the producer move his cattle to a local holding facility where they are then described and sold on a description basis. When should the title of ownership (and liability) change?

   11-when loaded on the buyers truck; 4-when sold; 2-when the cattle reach the packing plant; 1-when weighed.

3. Would you prefer the producer guarantee live delivery to the packing plant if it required either a fee or a higher price for the cattle?

   8 yes 11 no

   If yes, what would be a reasonable amount? $ .23 per cwt., (Range $.035-.50)

   If no, why not? Not feasible; would expect it anyway; not fair to producers.

4. If there was a marketing organization providing the connection between you and the seller and handling the sale by telephone or other electronic medium, do you think it would make sense for the marketing organization to guarantee live delivery to the packing plant? 7 yes 9 no

   Why? Not feasible; producer should do it.

   If yes, how should the cost of this guarantee be met?

   1-by producers; 1-by packers; 1-by producers and packers.

5. If you were asked to accept the liability of death loss after the cattle left the farm, would this influence your price bids?

   15 yes, 3 no; If yes, how much $ .50 per cwt.

6. In a marketing system where trading occurs by telephone or other electronic medium, what arrangement would you like to see to insure the performance of both buyer and seller?

   Buyer
   18 oral agreement
   2 written contract
   ____ written contract with performance bond
   ____ other _____
   Why? _____

   Seller
   12 oral agreement
   2 written contract
   ____ written contract with performance bond
   ____ other _____
   Why? _____

PART IV. ORGANIZATION AND OPERATION

1. Assume an electronic marketing organization is established. Who or what group should own and control the organization?

   5-producers; 5-third party; 5-doesn't matter.

   How should the organization be financed?

   7-by producers; 4-by both producers and packers; 1-doesn't matter.

2. The current system is based on direct movement, order buyer activity, and local auction markets. Should local auction markets be involved in a new system where cattle are sold by description? 11 yes 6 no

   If yes, what role should they play? assembly; weighing

3. Producers are sellers and packers are buyers. There is a natural conflict of interest. If cattle are sold by description on a liveweight basis, should there be some objective third party outside the market organization to grade or describe the cattle or do you feel the marketing organization should handle this task?

   10-third party; 6-marketing organization

   Why? Third party - more unbiased.

4. Assume you are buying cattle through an electronic marketing system which has at least nine other buyers tied into the system. Do you feel that sufficient competition would exist to insure that bid prices would always be a reasonable approximation of true slaughter value? 19 yes 1 no

   If the marketing system contained "no sale" provisions, which would be acceptable to you?

   8 1) the producer sets a minimum price when he consigns the cattle to the marketing organization
   9 2) the producer gives the marketing organization the authority to stop sales when it feels the bids are not reflecting a fair market price
   ___ 3) other _____
   3 4) "no sale" provisions would not be acceptable to me.

5. In the event of a disagreement between a particular buyer and seller when cattle are sold by description, who should settle the dispute?

   12 the manager of the marketing organization
   4 Board of Directors of the marketing organization
   2 independent third party
   1 other doesn't matter

6. In the event of a disagreement between a particular buyer or seller and the marketing organization which is the middle man in sales by description, who should settle the disputs?

   1 a special producer committee
   7 Board of Directors of the marketing organization
   4 independent third party
   ___ other _____

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