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LIVESTOCK POOLING

IMPROVED MARKETING THROUGH GRADING AND COMMINGLING

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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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Growth Through Agricultural Progress

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Summary

Livestock producers have always had marketing problems. This is particularly true of the small producer who is in a weak bargaining position. Sorting and pooling his animals into lots with other producers' animals of similar weight and grade before they are offered for sale will help solve some of these problems. Cooperatives have been in the forefront in supplying producers with the services to pool their livestock.

This study was undertaken to determine the status of livestock pooling in the United States, to evaluate it as an effective marketing tool, and to offer suggestions on ways to improve and expand it. This report is the first in a series. Subsequent publications will cover each class of livestock pooled.

Livestock were pooled by 534 agencies located in 33 States in 1959. Nearly three-fourths of these were in the seven-State area of Georgia, Kentucky, Missouri, Ohio, Tennessee, Virginia, and West Virginia. About 6 percent were daily markets or terminals and the other 94 percent were divided almost equally between weekly auction markets and special sales agencies. These special sales agencies operated on a seasonal basis and usually handled only one class of stock.

Almost one-half of the 368 agencies we contacted were owned cooperatively by producers. An additional 15 percent had ownership arrangements similar to cooperatives. About one-fifth of the agencies were owned by corporations and one-tenth were partnerships. The remainder were individually owned.

Six different classes of livestock were pooled. More agencies pooled lambs than any other class. (Lambs, as used in this report, include a small proportion of slaughter ewes.) Next in order of importance were hogs, stocker-feeder cattle and calves, veal calves, feeder pigs, and fat cattle. Hogs and veal were pooled largely by auctions, stocker-feeder cattle and calves and feeder pigs mostly at special sales, and lambs extensively by both types of markets.

It was common practice at many auctions to pool two or three classes of livestock but at five of every six special sales only one class was pooled.

A total of a little less than 2 million animal units were pooled in the United States in 1959. (An animal unit consists of one head of cattle, or two veal calves, or four hogs or pigs, or five lambs.) The animal units pooled were composed of about 2.8 million hogs, 1.5 million lambs, 668,000 veal calves, 305,000 stocker-feeder cattle and calves, and 436,000 feeder pigs.

Based on animal units, West Virginia sold the largest proportion of its livestock through pools—just about half. Virginia was second with 44 percent. Kentucky, Georgia, Ohio, and Tennessee each marketed one-fifth to one-fourth of their livestock by this method. In Missouri it was only 2 percent. For the entire seven-State area one-half of the lambs, a little less than one-fifth of the hogs and pigs, and about one-sixth of the cattle and calves were sold in pooled lots in 1959.

The first livestock pooling operation in the United States was a lamb pool started by the Goodlettsville (Tenn.) Lamb and Wool Club in 1877. The oldest livestock pooling operation still in existence is a lamb pool in Idaho started in 1914. The hog pools in Alabama and California were introduced during the next few years. In the early 1920's several of the auctions in Kentucky were organized and from the outset pooled lambs, hogs, and veal calves. From here pooling spread into other States. The most rapid development of veal calf pooling came during the 1930's and hog pooling expanded most rapidly during the 1940's. Most of the lamb pools and feeder cattle and calf sales now operating were set up during the 1950's. Feeder pig sales are the most recent development, with most of them starting since 1957.

Some of the most urgent problems market agencies faced in starting their pooling operations were: (1) Overcoming farmer resistance to the new method and convincing them it was to their advantage to pool, (2) educating farmers on livestock grades and satisfying them on the grades their livestock were placed in, and (3) arranging for adequate sale facilities.

As the pooling program progressed, some of these problems worked themselves out. Successful sales with good prices were most helpful. Market agencies also employed various educational devices such as personal conferences and explanations, demonstrations, and meetings, all of them useful.

All problems, however, were not solved soon after the pooling operations began. Some have carried on and others have been added in recent years. The most urgent current problem is one of grading—getting it done so it is equitable to consignors and buyers. The best solution yet found is to get the most competent man available to do the grading.

Other problems mentioned frequently had to do with volume—getting support from farmers so they would deliver enough livestock to attract buyers and hold a successful sale. Also there was the question of getting stockmen to improve the quality of their livestock and to properly prepare it for the sale. Most of these quality and volume problems were mentioned by special sales agencies and may have been encountered even if there had been no commingling of livestock. However, since more than half the agencies studied were special sales we felt they should be considered. Educational programs of various kinds were most helpful in attacking these problems.

Market agencies reported both advantages and disadvantages of pooling to themselves, consignors, and buyers. We have concluded from their comments, however, that the advantages more than offset the disadvantages to all three of these groups. When asked to list the disadvantages, a large number of respondents did not answer or indicated there were none, or none they knew of.

Nearly 150 market agencies made the comment that pooling reduces their operating costs. Seventy-one agencies also felt pooling helps increase the volume of livestock they handle and encourages more buyers or larger buyers, or both, to patronize their market. The disadvantage mentioned most frequently was that pooling increases the market's cost of operation, but this was reported by only 26 agencies. More important, perhaps, is that the market agency cannot have a perfect grader since human judgment is involved.

The reported advantages to consignors were more numerous. They get a higher average price for pooled livestock and receive some valuable educational benefits. In addition, pooling helps consignors merchandise their stock more effectively. A disadvantage was that consignors cannot refuse buyers' bids for their livestock. Nor can they bid on their own animals to support the price without taking a chance of buying a large lot. The better producers are penalized when quality varies widely within a pooled lot.

Market agencies feel that pooling is beneficial to buyers because it allows them to buy a large number of uniform animals in one lot and it saves them time and buying expense. On the other hand, buyers frequently have to pay a higher price for pooled livestock, according to the reports of 69 market agencies. Several respondents indicated, however, that buyers receive value for this higher price through added service and savings in time and buying expense.

The problems encountered in pooling and the advantages and disadvantages which respondents reported have prompted some suggestions we feel will help improve existing pooling operations and assist other agencies in starting to pool their livestock.

Two of the elements necessary to make a livestock marketing operation successful are reasonable volume and sufficient buying competition. We suggest that a market agency planning to start a pooling operation begin early to sell this handling method to consignors in order to have a sufficient volume of livestock which can be pooled. Buyers must also be convinced that pooling is beneficial to them. New buyers may have to be brought in to furnish sufficient competition for all pooled lots.

Grading should be done as accurately as humanly possible to insure equitable treatment of both consignors and buyers. This will necessitate obtaining the services of a highly competent grader. The grading services of a disinterested public agency should be used whenever possible.

Livestock pooling appears advantageous to all parties, yet the practice is concentrated in only a few States. In many other areas conditions are such that pooling operations, if started, would benefit market agencies, consignors, and buyers. It is especially important that cooperative marketing agencies pool livestock, when possible, to allow their patrons to reap the benefits. Only a small proportion of the marketing cooperatives now have such pooling operations.

Livestock Pooling

Improved Marketing Through Grading and Commingling

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Marketing has always presented problems for livestock producers. The small producer with only a few head of assorted stock to market at a time has had particularly difficult problems to overcome because of his lack of bargaining strength. Pooling livestock before offering it for sale will help solve some of these problems.

Cooperatives have helped producers improve their bargaining strength and solve many of their marketing problems. Many cooperatives, as well as other market agencies, have established pooling operations to help producers become more effective in the marketing phase of their livestock enterprise.

The essential elements of a pooling arrangement are that the livestock is weighed on arrival, sorted, and penned with other owners' livestock of similar grade and weight. These lots of uniform animals are then usually sold at auction, each farmer being paid for the weight of his livestock at the price of the pooled lot. Pooling in some areas is known as pen-lot selling. It may be done at regular auctions or at special sales.

The objectives of this study are -

- To determine the status of livestock pooling in the United States.
- To evaluate pooling as an effective marketing tool.
- To offer suggestions to improve existing pooling operations and to aid others in starting and operating efficient livestock pools.

To accomplish these objectives it was necessary to:

1. Study the development of pooling and determine its present status.

2. Analyze the advantages and disadvantages of pooling.

3. Examine the problems encountered in getting the program under way and carrying it on.

4. Consider how the problems were solved or handled by market agencies.

5. Study the physical handling procedures now being used in pooling operations.

6. Compare prices received for animals sold in pooled lots with prices of

animals of the same weight and grade sold in single-head or single-ownership lots.

7. Compare operating costs when a market sells in pooled lots with costs when it sells each man's stock by itself.

8. Prepare specific recommendations for farmers and market agencies who wish to set up an organization for handling pooled sales.

The first four points are treated in this report; the others will be covered in subsequent publications. Separate reports will cover pooled sales of feeder cattle and calves, feeder pigs, market hogs, veal calves, and lambs.

To determine the extent of livestock pooling, we contacted agricultural extension specialists and land grant college personnel in each of the 50 States. Results indicated some livestock were being pooled in about three-fourths of the States. The area of greatest concentration included Georgia, Kentucky, Missouri, Ohio, Tennessee, Virginia, and West Virginia. Therefore the detailed study was confined to these States. We obtained information from all other States by mail questionnaire. Both the personal interview work and the mail survey were conducted in the early spring of 1960 and covered operations for the year 1959. Further details on the research procedure are carried in the appendix.

Development of Livestock Pooling

The first part of this section traces briefly the development of livestock marketing in the United States and shows the need for pooling as an aid to livestock producers, particularly the smaller ones. The balance of the section discusses the development of livestock pooling and the trends in volume of livestock pooled.

Over the years livestock has been marketed through many channels. The earliest was direct sales from the stockman to the packer or his representative. Animals were moved on foot.

With the coming of the railroads, packing plants and large livestock markets were built at the rail terminals. Here commission agencies handled livestock on a consignment basis and sold to packers or other buyers by private treaty. This worked out well for the large producer. He could ship several cars at a time and had the choice of a number of markets. He also had the alternative of selling direct to a packer buyer, order buyer, or dealer with delivery at home or at the nearest scale or railroad yards.

But the most serious problem in livestock marketing has been with the small producer who usually has not had the alternatives enjoyed by his larger neighbor. With less than a carload to sell, it was difficult and expensive to ship to market. In some cases, however, he did have one other choice. A dealer might come to his place and make an offer on his livestock. But the dealer was usually much more experienced as a trader and had better market information. The farmer could not expect very much competitive bidding on his few head of miscellaneous livestock. So he often took the easiest way out and dealt with the buyer, perhaps with the knowledge that he was in a weak bargaining position.

The development of trucks and improved roads alleviated this problem somewhat. Shipping associations were formed and trucks were dispatched to pick up animals at the farms and haul them to a central point where they were loaded on rail cars or large trailer trucks for shipment to a terminal market.

Soon after this came the development of the local auction markets. Small farmers could deliver their own livestock or hire it trucked. Several buyers bidding on one animal at the same time helped to rectify the weak bargaining position of the small operator.

Along with the improvement of market facilities and transportation came the development of market news reporting. The Federal Government and some State governments have led in this field. It also has helped strengthen the livestock producer's bargaining position, especially in view of the recent trend toward direct selling from the feedlot and the ranch.

Each of these developments—the terminal market, better roads and transportation facilities, the shipping association, the local auction, improved market news, and direct selling—has had a part in improving livestock marketing in the United States.

But to stay abreast of developments and improved technology in other fields, the livestock industry must place increasing emphasis on marketing efficiency. Any method that will save labor or other costs and provide better service to buyers and sellers should be considered.

Many observers have felt that if livestock were graded and pooled before being sold it would be a real step forward in merchandising and increased efficiency.

Dates Present Agencies Started Pooling

Livestock has been pooled in some areas for many years. The first pooling operation and the first livestock marketing cooperative in the United States was a lamb pool started by the Goodlettsville (Tenn.) Lamb and Wool Club in 1877. This association discontinued its lamb pool in 1920.

The oldest livestock pooling operation now in existence is a lamb pool in Idaho started in 1914. One Alabama agency began sorting and selling hogs in pooled lots in 1916, and one in California began in 1917. One of the lamb pools in Kansas started in 1925 and several began in Idaho in 1927 and 1928.

In Kentucky a number of the auction markets began operations in the 1920's. From the outset they sorted and pooled the farmers' lambs, hogs, and veal calves. Many more began similar operations during the decade of the 1930's. Pooling developed in Tennessee in much the same manner as in Kentucky. In this State the largest number of agencies started pooling in the 1930's.

In 1933 the Clinton County (Ohio) Lamb and Fleece Improvement Association launched a program of grading and pooling lambs in the country prior to shipment to the Cincinnati terminal market. The Producers Cooperative Commission Association, Cincinnati, Ohio, handled the sale of these shipments.

But these examples are widely scattered and do not represent large volumes of livestock being pooled in these early years.

Analysis of the records received in this study indicates that over half of the agencies now pooling began operations in the decade of the 1950's (table 1), nearly one-fourth in the 1940's, and about the same number before 1940. But this varied by class of livestock and by area.

Stocker-Feeder Cattle and Calves

Marketing stocker and feeder cattle and calves in pooled lots is a comparatively recent development. About 70 percent started in the last 10 years. Another 21 percent began during the 1940's and only 9 percent before 1940. One agency on the

Western Shoshone Indian Reservation in Nevada began before 1930.

Veal Calves

In the case of veal calves, the largest number, 42 percent of all agencies reporting, started during the 1930's. More than half of these were in Tennessee and Kentucky. Another 29 percent began operations during the 1940's, about 19 percent in the 1950's, and the remaining 10 percent before 1930.

Hogs

The beginning of hog pooling was similar to that of veal calves but came somewhat later. Between one-fourth and one-third of the agencies began operations in the 1950's, about two-fifths in the 1940's, one-fourth in the 1930's, and less than one-tenth before 1930. Besides the two early hog pools mentioned previously (in Alabama and California), the remainder of those starting before 1930 were in Kentucky. Most of those starting in the 1930's were located in Kentucky, Tennessee, and Virginia. Florida also reported two agencies beginning hog pooling during this decade.

Feeder Pigs

Feeder pig sales are the newest of all livestock pools. All of them began after 1950 and all except a few in Missouri and Indiana after 1955. The majority of the feeder pig sales were set up in 1958 and 1959.

The lamb pool started in Clinton County, Ohio, in 1933 is still in operation. This lot of prime lambs was sold through the pool which is now handled by the Producers Livestock Association at Wilmington, Ohio

Table 1.--Percentage of agencies starting pooling operations for each class of livestock by 10-year periods

Area and class handled	Agencies starting				
	Before 1930	1930-39	1940-49	1950-59	Total
			Percent		
7-State area[1]					
Stocker-feeder cattle and calves	0	6	22	72	100
Veal calves	11	42	30	17	100
Hogs	7	27	38	28	100
Feeder pigs	0	0	0	100	100
Lambs[2]	13	31	34	22	100
All classes	7	23	28	42	100
Other States[3]					
Stocker-feeder cattle and calves	2	10	20	68	100
Veal calves	0	40	20	40	100
Hogs	15	15	31	39	100
Feeder pigs	0	0	0	100	100
Lambs[2]	6	4	14	76	100
All classes	5	7	16	72	100
U. S. total					
Stocker-feeder cattle and calves	1	8	21	70	100
Veal calves	10	42	29	19	100
Hogs	8	24	39	29	100
Feeder pigs	0	0	0	100	100
Lambs[2]	10	16	24	50	100
All classes	6	18	24	52	100

[1]Georgia, Kentucky, Missouri, Ohio, Tennessee, Virginia, and West Virginia.
[2]Includes a small proportion of slaughter ewes.
[3]Includes only 26 States since 17 reported no pooling operations.

Lambs[1]

Just about half of the lamb pools began during the decade of the 1950's, a little less than one-fourth in the 1940's, and a little more than one-fourth before 1940.

[1]Lambs, as used in this report, include a small proportion of slaughter ewes.

There was an unusually wide variation in the time the lamb pools were begun. In the seven-State area, (Georgia, Kentucky, Missouri, Ohio, Tennessee, Virginia, and West Virginia) less than one-fourth were started in the last decade. In the rest of the United States, over three-fourths were started during the 1950's. Over two-fifths of the lamb pools in the seven-State area were set up before 1940, compared with 10 percent in the other States.

Trends in Volume Pooled

One question asked market operators was designed to determine any trends in the importance of livestock pooling as a marketing procedure during the period 1950-59. A definite trend in the proportion of hogs, veal calves, and lambs pooled could not be established, although available evidence would suggest it was upward.

Most of the agencies reported that the proportion of their total volume sold in pooled lots had not changed very much during this period. But the records show a substantial number of the agencies began pooling these classes during the 1950's. This would increase the number and probably the proportion of livestock pooled. However, since the number of agencies discontinuing operations is not available, the net change in the proportion pooled cannot be positively shown.

Agencies pooling stocker and feeder cattle and calves and feeder pigs were asked to indicate the trend in their total volume since almost all of them were special sales agencies[2] which pooled their entire receipts. This volume showed a definite increase and since all the feeder pig sales and most of the stocker and feeder cattle and calf sales were started during the decade of the 1950's, there is no question concerning the upward trend with these classes.

Present Status of Pooling Agencies

Livestock pooling is practiced to some extent in most areas of the United States. Market agencies of all types in 33 States reported that they pooled livestock in 1959. Nearly all classes—fat cattle, stocker-feeder cattle and calves, veal calves, hogs, feeder pigs, and lambs—were represented in these pooling operations.

Number, Type, Location, and Ownership

A total of 534 market agencies were pooling livestock in 1959. Almost three-fourths of these were located in a 7-State area; 26 other States accounted for a little over one-fourth. The accompanying tabulation shows the number of agencies of each type with pooling operations.

Area	Auctions	Special sales	Other[1]	Total
7 States	226	152	7	385
Other States[2]	20	103	26	149
U. S. total	246	255	33	534

[1] Includes daily market and terminal market operations.
[2] Includes only 26 States since 17 reported no pooling operations.

Figure 1 presents a better picture of the location and types of pooling agencies. Note the heavy concentration in Tennessee, Kentucky, Virginia, West Virginia, Georgia, Ohio, and Missouri.

Figure 2 shows the number of pooling agencies and classes of livestock pooled in each State. Tennessee leads with 86

[2] A special sales agency is a market agency organized, usually by farmers, to hold special sales for one or two classes on a seasonal basis. Examples are agencies that sponsor feeder cattle or calf sales, feeder pig sales, and special lamb pools.

Figure 1

Auctions, Special Sales, and Other Market Agencies Pooling Livestock, 1959

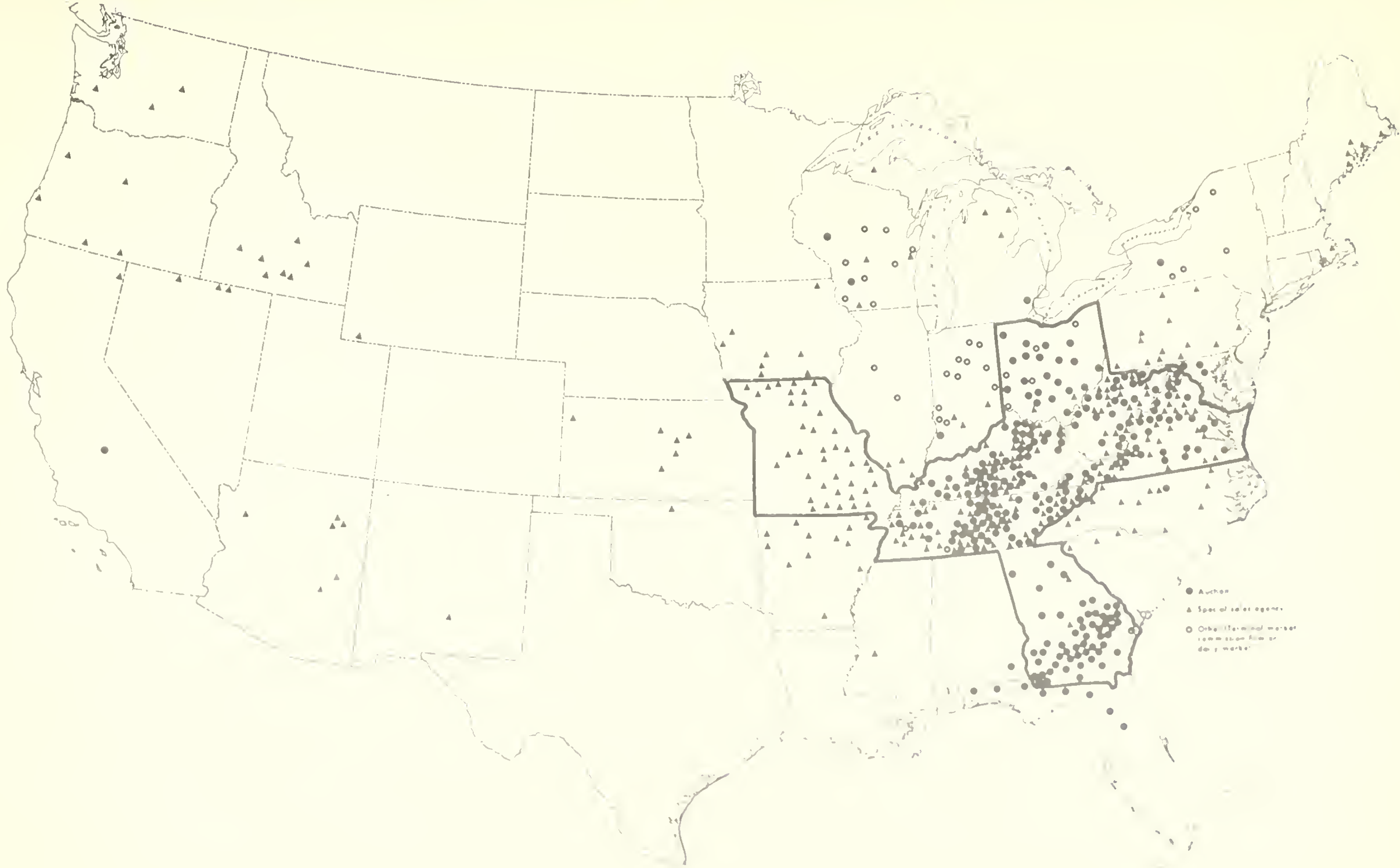
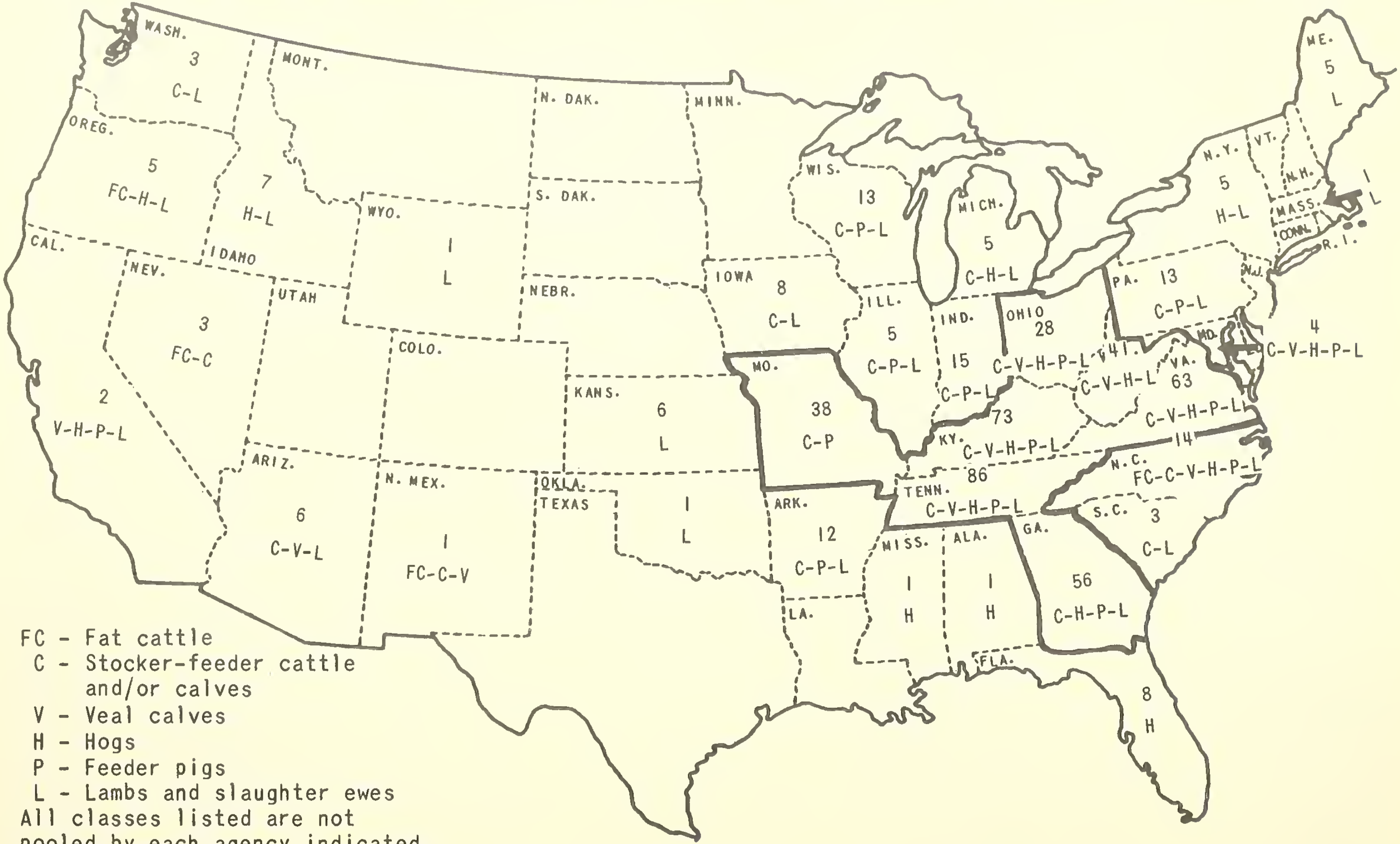


Figure 2

Number of Market Agencies Pooling Livestock and Classes of Livestock Pooled, 1959



FC - Fat cattle
C - Stocker-feeder cattle and/or calves
V - Veal calves
H - Hogs
P - Feeder pigs
L - Lambs and slaughter ewes
All classes listed are not pooled by each agency indicated.

agencies followed by Kentucky, Virginia, and Georgia, each with over 50. In 6 States only 1 agency pooled livestock and 17 States, including Alaska and Hawaii, reported no pooling operations at all.

Pooling is carried on mostly by auctions and special sales agencies. About equal numbers of these two types of agencies had pooling operations in 1959. Other types—daily markets and terminal markets—accounted for only about 6 percent. Auctions conducted the majority of the pooling operations in the seven-State area although special sales also accounted for divided about equally between cooperatives and individually owned agencies.

Over two-thirds of the special sales agencies indicated they were owned cooperatively by the farmers in the area. Many of the remainder also had certain characteristics of cooperatives.

For the most part, the special sales were set up to market livestock at cost and kept commission charges down to just cover expenses, with nothing left for patronage refunds. These agencies were largely farmer owned, operated, and controlled but many were not incorporated.

Type of ownership	Auctions	Special sales	Other	Total
Individually owned	22	0	0	22
Partnership	38	0	2	40
Corporation	60	13	0	73
Cooperative	18	135	29	182
Other	0	51	0	51
Total	138	199	31	368

a sizable number. The reverse was true in the other 26 States, where special sales agencies outnumbered auctions by more than 5 to 1 (figure 1).

Ownership of the market agencies we contacted varied widely as shown in the accompanying tabulation. About half were owned cooperatively by livestock producers and an additional 51 agencies had "other" ownership arrangements similar to cooperatives. Corporate ownership accounted for about one-fifth of the agencies and the remainder were individually owned or partnerships.

A little over two-fifths of the auction markets contacted were organized as corporations. A few more than one-fourth were partnerships. The remainder were

Livestock Pooled

While the actual number of market agencies pooling livestock in 1959 was large, it represented only a small proportion of the total number of agencies operating throughout the country. Likewise, the volume of livestock pooled was small compared to total marketings. This section covers the classes and volume of livestock pooled.

Classes

Six separate classes were sold in pooled lots. As shown in figure 2, the States with the larger number of agencies generally pooled a greater variety of classes. Table 2 gives the number of agencies handling each class by type of agency. More

Table 2.--Total number of market agencies pooling each class of livestock, by type of agency, 1959

Area and type of agency	Fat cattle	Stocker-feeder cattle and/or calves	Veal calves	Hogs	Feeder pigs	Lambs[1]
7 States						
Auctions	0	30	145	166	2	112
Special sales	0	99	2	0	45	33
Other	0	0	0	5	0	6
Total	0	129	147	171	47	151
Other States[2]						
Auctions	1	4	5	14	3	7
Special sales	5	47	2	3	16	52
Other	0	0	0	0	1	26
Total	6	51	7	17	20	85
U. S. total						
Auctions	1	34	150	180	5	119
Special sales	5	146	4	3	61	85
Other	0	0	0	5	1	32
Total	6	180	154	188	67	236

[1]Includes a small proportion of slaughter ewes.
[2]Includes only 26 States since 17 reported no pooling operations.

agencies pooled lambs than any other class. This was followed by hogs, stocker-feeder cattle or calves or both types, veal calves, feeder pigs, and fat cattle. Only six agencies pooled fat cattle. A number of these were on Indian reservations in the Southwest where some of the cows and yearlings or 2-year old steers and heifers came off as grass fat. We feel there may be a real opportunity to expand the pooling of fat cattle.

All classes of stock except lambs were handled predominantly by one type of market agency—either the auction or the special sales agency. Lambs were handled extensively by both auctions and special sales, but this varied by State and area. Throughout most of Kentucky and much of Tennessee, lambs have long been sorted and sold in pen lots at regular auctions. In Ohio and West Virginia where the old lamb pools had been used for many years, there has been a recent trend toward marketing lambs at auctions. Lambs are still weighed, sorted, and commingled before being sold, but the operation is handled by the auction instead of a special sales agency. Outside the seven-State area, the lamb pools still operate but auction markets do relatively little pooling of lambs.

Pooling of hogs and veal calves is done almost exclusively by auctions. Feeder pigs and stocker-feeder cattle and calves, on the other hand, are pooled largely through special sales. In some States in the Southeast, notably Virginia and West Virginia, auction markets are also conducting special feeder cattle and calf sales during the season of heavy marketings.

We found it to be common practice for auction markets to handle two or three classes of pooled livestock, but this varied by State. In Georgia the auctions pooled only hogs while in Kentucky, Tennessee, Virginia, and Ohio they frequently handled at least two classes, such as veal calves and hogs, veal calves and lambs, or all three.

Table 3 shows the number of market agencies pooling one, two, three, or four classes by type of agency. A little more than one-third of the auction markets handled only one class; a little less than one-third, two classes; more than one-fourth, three classes; and about 4 percent, four classes. On the other hand, more than four of every five special sales agencies handled only one class.

For the most part these special sales were organized by groups of stockmen

In Ohio and West Virginia more lambs have been marketed through auctions in recent years and less through the old lamb pools. At this auction the auctioneer and buyers move from pen to pen as pooled lambs are sold.

Table 3.--Total number of market agencies pooling 1, 2, 3, and 4 classes, by type of agency, 1959

Area and type of agency	Number of agencies pooling: 1 class	2 classes	3 classes	4 classes	Total
7 States					
Auctions	80	71	66	9	226
Special sales	125	27	0	0	152
Other	3	4	0	0	7
Total	208	102	66	9	385
Other States[1]					
Auctions	12	4	2	2	20
Special sales	85	14	4	0	103
Other	25	1	0	0	26
Total	122	19	6	2	149
U. S. total					
Auctions	92	75	68	11	246
Special sales	210	41	4	0	255
Other	28	5	0	0	33
Total	330	121	72	11	534

[1]Includes only 26 States since 17 reported no pooling operations.

producing one class of livestock with which a specific marketing problem had developed. In Missouri many of the special sales agencies were set up to handle both stocker-feeder cattle and calves and feeder pigs. In other States it was an exception when more than one class was handled.

Volume

Table 4 shows the estimated volume of each class of livestock sold in pooled lots by State in the seven-State area, together with a total from the other States in 1959. Ohio, with 373,000 animal units[3], pooled more livestock than any other State. It was followed by Kentucky, Virginia, Georgia, and Tennessee, in that order. West Virginia and Missouri each pooled less

[3]An animal unit equals one head of stocker-feeder cattle, or two veal calves, or four hogs or feeder pigs, or five lambs.

than 100,000 units. The total from these seven States was over 1.5 million units.

Returns from the other States show 248,000 animal units pooled. The volume handled by agencies that did not report is not known, but a high percentage of them returned questionnaires. It is possible that the mailing list was not complete so there may also have been others not reported.

From the standpoint of number of head pooled, hogs were much more important than any other class. In the 7-State area there were over 2.5 million head. This compares with just about half that many lambs. Stocker-feeder cattle and calves were 223,000 while the figures on veal calves showed 651,000 and on feeder pigs, 158,000. The number of fat cattle pooled was small, amounting to only about 1,300 head.

Stocker-Feeder Cattle and Calves. - When classes were considered by States, it was found that Virginia handled more cattle and calves in pooled lots than any

Table 4.--Estimated volume of livestock sold in pooled lots, by class and State, 1959

State or area	Stocker-feeder cattle and calves	Veal calves	Hogs	Feeder pigs	Lambs[1]	Total in animal units[2]
	1,000 head					1,000 units
Ohio	16.2	59.2	983.4	5.5	398.3	372.7
Kentucky	19.1	236.2	407.8	18.2	354.2	310.0
Virginia	83.1	146.6	124.7	9.9	260.3	242.1
Georgia	4.2	0.0	853.3	1.4	11.2	219.8
Tennessee	18.1	165.9	252.9	22.1	89.1	187.6
West Virginia	33.1	43.1	16.4	0.0	190.0	96.7
Missouri[3]	49.4	0.0	0.0	100.6	0.0	74.6
7-State total	223.2	651.0	2,638.5	157.7	1,303.1	1,503.5
Other States[4]	[5]82.0	17.3	156.5	278.7	241.9	247.8
U. S. total	305.2	668.3	2,795.0	436.4	1,545.0	1,751.3

[1]Includes a small proportion of slaughter ewes.
[2]An animal unit equals 1 head of stocker-feeder cattle, or 2 veal calves, or 4 hogs or feeder pigs, or 5 lambs.
[3]Actual volume.
[4]Actual volumes reported on mail questionnaires. Includes only 26 States since 17 reported no pooling operations.
[5]Includes 1,284 fat cattle.

other State. The 83,000 handled by agencies in Virginia represented more than one-third of those pooled in the 7-State area. The order of the other States was: Missouri, West Virginia, Kentucky, Tennessee, Ohio, and Georgia.

Veal Calves. - Kentucky led in the number of veal calves pooled with 236,000. Tennessee and Virginia were next, each pooling a sizable volume. These States were followed by Ohio and West Virginia. Neither Missouri nor Georgia reported any veal calves handled in pooled lots.

Hogs. - Pooled hogs also are handled primarily at regular sales—either weekly auctions or daily receiving stations. Ohio pooled the largest volume, with nearly a million head. Georgia was a close second with over 853,000, followed by Kentucky, Tennessee, and Virginia with 408,000, 253,000, and 125,000, respectively. West Virginia was last with only 16,000. Of States outside this area, records received indicate Florida pooled 77,000 hogs; Michigan, 36,000; and California, 18,000.

Feeder Pigs. - More feeder pigs were pooled in Wisconsin than in any other State—an estimated 183,000 in 1959. Missouri was second with 101,000, followed by Indiana with 42,000, Tennessee with 22,000, Illinois with 21,000, and Kentucky with 18,000. Neither Wisconsin, Indiana, nor Illinois are in the 7-State area.

As indicated earlier, feeder pig pools have been under way for only a few years in most States. The trend in numbers handled appears to be upward.

Lambs. - Ohio was also the State handling the most lambs by pooling; records show 398,000. Kentucky was a close second, followed by Virginia and West Virginia. Tennessee had considerably fewer and only 11,000 were marketed in pooled lots in Georgia.

Outside the 7-State area, Kansas and Michigan reporting 39,000 and 31,000, respectively, were the States pooling the greatest numbers of lambs. Lamb pools were reported in more States than pools

Table 5.--Total number of animal units marketed and estimated number and percent pooled in 7-State area, 1959

State	Animal units marketed		Animal units pooled
	Total	In pooled lots	
	1,000 units		Percent
Georgia	906	220	24
Kentucky	1,148	309	27
Missouri	3,208	75	2
Ohio	1,870	373	20
Tennessee	942	188	20
Virginia	553	242	44
West Virginia	194	97	50
Total	8,821	1,504	17

of any other class. Following is the number of States reporting some pooling of each class of livestock:

	States
Lambs	27
Cattle and/or calves	21
Hogs	16
Feeder pigs	14
Veal calves	10

Proportion Pooled

Table 5 shows the total animal units marketed in each of the seven States, together with the number and proportion of the total that were handled in pooled lots. For the entire area, the 1.5 million animal units pooled represented 17 percent of the 8.8 million total marketings. This varied considerably by States—from 50 percent in West Virginia to 2 percent in Missouri. The rank of the other States from highest proportion pooled was as follows: Virginia, Kentucky, Georgia, Ohio, and Tennessee.

The small proportion in Missouri was a much lower rate than any other State in the group. If this State with its large livestock marketings had not been included, the average proportion pooled by the other States would have been over 25 percent.

In addition to the variation by States, the proportion pooled also varied widely by species. Just half of the sheep and lambs marketed in the seven-State area in 1959 were pooled. This compares with 16 percent of the cattle and calves and 18 percent of the hogs and pigs. These figures are shown in the accompanying tabulation.

Species	Number marketed		Animals pooled
	Total	In pooled lots	
	1,000 head		Percent
Cattle and calves	5,330	874	16
Hogs and pigs	15,810	2,796	18
Sheep and lambs	2,605	1,303	50

Advantages and Disadvantages Reported by Market Agencies

The advantages and disadvantages presented here represent the opinions of market agency personnel obtained by personal interview or mail questionnaire. Each respondent listed the advantages and disadvantages of pooling to market agencies, consignors, and buyers. We did not contact buyers or consignors to get their views on the merits and demerits of pooling. Both groups express their opinions of market operations during frequent contacts with market personnel. These personnel are, therefore, in a good position to reflect the views of buyers and consignors with respect to the advantages and disadvantages of pooling.

To Market Agencies

The advantages and disadvantages of pooling to market agencies arise from its effects on market operations. Many of them, however, are also deeply rooted in the effects of pooling on consignors and buyers.

Advantages

The market agency is a major recipient of the benefits resulting from the pooling of livestock. Respondents told us of 18 different advantages which accrue to the market agency. Many of these were mentioned by only a few of the 368 agencies contacted, while others were mentioned by a large number. The more important of these advantages and the number of agencies reporting each are given in the accompanying tabulation.

Advantage to market agencies	Number reporting			
	Auctions	Special sales	Other	Total
Reduces operating costs	123	20	3	146
Helps increase volume	36	27	8	71
Attracts more and/or larger buyers	21	18	6	45
Can render better service to consignors and buyers	13	27	1	41
None, no answer, not applicable	10	116	0	126

Reduces Costs. - About two out of every five agencies said pooling reduces their operating costs. This answer was given by almost all the 138 auctions we contacted, but by only about one-tenth of the special sales agencies. This relationship is due to differences in methods of operation of the two types of agencies.

Special sales agencies, for the most part, operate on a nonprofit basis and have only one or a few sales a year. They levy selling charges sufficient to cover operating costs, based on estimated expenses and expected volume. Many of them operate largely with donated labor. Consequently, this advantage does not accrue to special sales agencies to the same extent it does to other types of market agencies.

Pooling contributes to lower operating costs in several ways. First, it reduces selling and load-out time. This lowers some of the agency's costs which vary with the time required to handle livestock. Most important is the reduction in the labor bill at markets where employees are paid a straight hourly wage. Labor costs would not be reduced, however, if employees were paid a fixed daily wage unless the amount of the wage was decreased to compensate for the shorter working day. Over three-fourths of the auctions we interviewed were paying most of their employees by the hour and were thus realizing lower labor costs as a result of pooling.

Secondly, some market agencies which are pooling certain classes of livestock, such as hogs, lambs, and feeder cattle, are likely to need fewer pens. Livestock belonging to different owners do not have to be penned separately, thus eliminating the need for a large number of small pens, and though the market may need more large pens, they will be more fully utilized. A market can, therefore, handle a given volume of livestock in less pen space when it is pooled than when it is sold in single-ownership lots. This all adds up to lower capital investment, depreciation, and maintenance costs.

Third, pooling contributes to better distribution of the workload and more efficient use of labor on sale day. Livestock is sorted prior to, rather than during, the sale when most employees are usually very busy. Many times employees can be put to work in the sorting operation for a few minutes when they might otherwise be idle while awaiting the arrival of additional livestock.

Fourth, pooling requires less movement and handling of the livestock, especially when it is not moved from the pens for sale. The market's workload is thereby reduced as is the amount of shrink, bruising, crippling, and death loss. This aspect of pooling is of particular advantage in handling hogs during hot weather when excessive movement may result in large death losses.

Finally, several agencies reported that pooling reduces slightly the amount of office work. Fewer computations and entries are necessary in making up buyers' invoices since they buy livestock in large groups rather than buying one or a few head at a time.

There is some evidence to support the comment that pooling reduces the market agency's operating costs. A recent University of Maryland study reported that one auction saved an estimated $950 a

Selling lambs in large lots such as these reduces the market agency's operating costs by shortening selling time. Since this market does not move lambs from the pens to sell them, its workload is also reduced.

year by pooling calves.[4] This auction reduced its average sale time 30 minutes by selling 150 calves per sale in pooled lots. In addition, the market needed one less man to help load out calves.

There are other indications that pooling reduces operating costs. Market agencies interviewed were asked whether handling in pooled lots increased, decreased, or had no effect on their operating costs. Almost 9 out of every 10 who answered this question indicated their costs were reduced by pooling. Only 3 percent indicated they thought it increased their costs and the remainder thought it made no difference. Several of the auctions were passing on part of these savings to consignors in the form of lower selling charges for some types of pooled livestock. Selling charges were lower for pooled lambs, veal calves, and hogs at 1, 15, and 12 auctions, respectively. None of the agencies were charging more for pooled stock.

Increases Volume. - Almost one-fifth of the responding agencies indicated pooling helps increase the volume of livestock they handle. About equal numbers of auctions and special sales agencies made this comment. They feel consignors are better satisfied when their livestock is pooled because it brings a higher price and all animals comparable in weight, quality, and other characteristics bring the same price. This, along with the other advantages to consignors, puts the market agency in a better position to compete for farmers' livestock.

Attracts Buyers. - Another advantage similar to this is that pooling attracts more buyers or larger buyers or both. Buyers are better satisfied when buying pooled livestock; it saves them time and expense and they can buy livestock in large uniform lots. The fact that livestock is usually sold in larger groups in itself encourages the patronage of large rather than small buyers.

Improves Services. - Closely allied to the last two advantages is that of the market agency being able to render better service to both consignors and buyers. Special sales agencies completing mail questionnaires comprised the majority of the agencies listing this advantage.

No Advantages or No Answer. - In addition to the agencies reporting these advantages, 126 others gave no answer or indicated there are no advantages to the market agency or that the question was not applicable to their operations. All but 10 of this number were special sales agencies. Many of the advantages of pooling accruing to the weekly auction market would not exist in the case of special sales agencies because of the nature of their operations.

Disadvantages

The advantages of pooling to the market agency appear to far outweigh the disadvantages. While respondents listed 22 disadvantages, all but 4 were mentioned by fewer than 10 agencies. The disadvantages reported by more than 10 agencies appear in the tabulation on the following page.

Increases Costs. - The disadvantage market agencies mentioned most frequently was that pooling increases their cost of operation. This appears to be a direct contradiction of the principal advantage of lower operating costs. However, only 26 of the 368 agencies—nearly half of them special sales agencies—reported that pooling increases operating costs, while 146 indicated it lowers them. This disadvantage is of particular importance to some special sales agencies for,

[4] Smith, John N., and Smith, Harold D. Pen-Lot Versus Single-Head Selling of Calves at Maryland Auction Markets. Dept. of Agr. Econ., Univ. of Md. Misc. Pub. No. 391. 1960.

Disadvantage to market agencies	Number reporting			
	Auctions	Special sales	Other	Total
Increases the cost of operation	6	12	8	26
Cannot have a perfect grader	11	1	3	15
Requires more office work and bookkeeping	2	11	1	14
Difficult to satisfy some consignors with grading	7	4	0	11
None, no answer, not applicable	103	150	3	256

if their volume is small on pool day, their expenses may exceed income. This is a frequent occurrence in some areas where lamb pools are held during the lamb marketing season.

Auction markets which have special pool days may have to hire extra labor for these days and may have to operate differently from their regular auction day. Too, a market agency may have to make additional investments in pens, scales, or other facilities in order to be able to handle livestock by the pooling method for a special sale. Under these circumstances, operating costs may be increased somewhat.

Increases Office Work. - Another disadvantage closely associated with increased operating costs is the greater amount of bookkeeping and office work required. Here again, this comment was made by only a few respondents and came primarily from special sales agencies. Some of these agencies put a lot of effort into bookkeeping work in order to keep track of each consignor's livestock. This does not, in many cases, increase operating costs since it is done by volunteer labor. This disadvantage does not appear to be of much concern to auctions since only two of them reported it. Also, several auctions suggested that pooling really reduces office work slightly.

Even a well trained, experienced grader cannot be perfect. He is making a subjective evaluation when grading and some human errors are unavoidable.

Imperfect Grader. - A total of 15 agencies, primarily auctions, listed as a disadvantage the fact that the market agency cannot have a perfect grader. Determining quality is a subjective evaluation and some human errors are unavoidable.

Nevertheless, the grader's judgment of the quality of the livestock has a direct bearing on its price and any mistakes he might make affect consignor's proceeds as well as the cost of livestock to buyers. If an animal is upgraded or downgraded, either the consignor or the buyer suffers a loss and is dissatisfied. This disadvantage can have an important effect on the market agency's public relations, depending upon the ability of the grader.

Satisfying Consignors with Grading. - A corollary disadvantage mentioned by both auctions and special sales agencies is that it is difficult to satisfy some consignors with the grading of their livestock. Many of them think their livestock is better than it really is and, therefore, disagree with the grader's decision. This does not appear to be a serious disadvantage, however, as only 11 agencies made this comment and most of them indicated that consignor dissatisfaction occurred infrequently.

No Disadvantages or No Answer. - About seven-tenths, or 256, of the agencies contacted gave no answer or indicated there are no disadvantages to the market agency or that the question was not applicable to their operations. The agencies answering in this manner consisted of 103 auctions, 150 special sales agencies, and 3 market agencies of other types. A large number of the special sales agencies in this group gave no answer or said the question was not applicable to their operations.

Special sales agencies operate in such a manner that many of the disadvantages to weekly auction markets would not apply to them. Grading is usually done by State Extension or State Department of Agriculture personnel or other disinterested parties. In many instances a local auction market provides the facilities, yard labor, and office force and handles financial transactions.

We interviewed 93 of the auctions responding in this manner and most of them indicated there were no disadvantages of pooling to the market agency, or none they knew of. We conclude from the evidence that the disadvantages of pooling to the market agency are not of major significance.

To Consignors

The value and success of any livestock handling method depend, to a large extent, upon its effect on consignors. Let us now look at the advantages and disadvantages of pooling to those who supply the livestock.

Advantages

Pooling appears to be of even greater advantage to consignors than to the market agency. The market agencies contacted suggested 21 ways in which consignors benefit from having their livestock pooled. Of these, 9 were mentioned by 20 or more agencies. The more important advantages are shown in the accompanying tabulation.

Advantage to consignors	Number reporting			
	Auctions	Special sales	Other	Total
Receive a higher average price	118	138	9	265
Educational for consignors	37	78	8	123
Can merchandise livestock in packages more attractive to buyers	10	55	2	67
Increases competition for livestock	9	40	0	49
Small consignor has the same advantage as large consignor	10	26	1	37
Saves the consignor time	30	7	0	37
None, doesn't know, no answer	9	9	0	18

Increases Price. - About 7 out of every 10 of the agencies contacted said consignors receive a higher average price for their livestock when it is pooled than when it is sold in single-ownership lots. The actual number of special sales agencies giving this advantage was larger than the number of auctions, but a larger proportion of the auctions made this comment.

The market agencies contacted by personal interview were asked whether handling in pooled lots increased, decreased, or had no effect on livestock prices. More than 93 percent of them indicated they felt pooling increased selling prices; less than 1 percent, that it reduced prices; and 6 percent, that it had no effect on prices.

These figures represent only the judgments of market operators. They cannot be used to prove that pooling would actually increase prices 93 percent of the time. However, with this large proportion of over 300 independent judgments pointing in the same direction, it should lend some credence to the statement that pooling does increase prices to farmers.

Obtaining price data to substantiate this reported advantage is a difficult task. Many of the agencies interviewed have attempted to compare prices of pooled and single-ownership livestock from time to time, but none of them were able to supply price information necessary to make a statistically sound price comparison.

Although we have no data to verify the claim at this time, there is good reason to believe that pooling does contribute to higher average prices, at least for some classes of livestock pooled at auction markets. A University of Maryland study showed that pooled calves in most weight and grade classes brought a higher price than comparable calves sold singly.[5]

A young farmer smiles with anticipation as he waits for his check after selling his livestock in graded, pooled lots. Market agencies gave increased prices as the major advantage of pooling to consignors.

We also believe, as reported, that pooling helps increase the price of livestock sold at special sales, such as feeder calf and pig sales. However, so many other factors have a bearing on price at these sales that it is almost impossible to determine the net effect of pooling alone. A large volume of livestock is usually assembled for these sales. They are widely advertised so a large number of prospective buyers usually attend. The livestock in many cases have received disease-prevention treatments and buyers may be given certain guarantees. All these factors influence the price of the livestock

[5]Smith, John N., and Smith, Harold D. Pen-Lot Versus Single-Head Selling of Calves at Maryland Auction Markets. Dept. of Agr. Econ., Univ. of Md. Misc. Pub. No. 391. 1960.

and their effect cannot be separated from that of pooling.

Improves Merchandising. - The next three advantages are similar to each other and to the one just discussed. They might even be included with the first advantage, since they represent factors contributing to higher prices. A total of 67 agencies told us pooling benefits farmers because they can merchandise their livestock in packages more attractive to the buyer. This comment was received primarily from special sales agencies.

Packaging for eye appeal is receiving a lot of attention in all fields of sales today. Pooling allows the producer, especially the small producer, to join with others in putting together a larger group of uniform livestock which will be attractive to the eye of the buyer. Producers thus have a market for every weight, quality, sex, and breed of livestock because they can pool similar animals to meet the needs of buyers with differing preferences. Through this more effective merchandising technique, producers as a group can increase their bargaining power and command higher average prices.

These calves will be sorted and sold with other farmers' calves of similar weight and quality. This permits small producers to merchandise their stock in packages more attractive to buyers.

Increases Competition. - Forty-nine market agencies—over four-fifths of them special sales agencies—indicated pooling increases competition for livestock. This method of handling livestock attracts buyers to the sales who otherwise might not attend. Some buyers who do not like to bid on single animals or small lots of livestock are apt to bid more freely on pooled lots. The fact that all livestock of a certain weight, quality, sex, and breed are usually sold in one group or relatively few groups, in itself, increases competition. Each buyer who needs a particular kind of livestock must bid aggressively as he may not have another chance to buy the same kind at that sale. These factors all contribute to increased competition and higher average livestock prices.

Gives Small Consignor Equal Advantage. - Another similar advantage listed by 37 agencies is that through pooling small consignors have the same advantages as large ones in dealing with buyers. For instance, the producer with 10 hogs of various weights and grades can merchandise them just as effectively as the producer with 50 or 100 hogs of uniform weight and grade. By pooling them with other producers' hogs, he can offer a large uniform group which will be attractive to the buyer.

Educates Consignors. - Probably the second most important advantage of pooling to consignors—mentioned by 123 agencies—is its educational value. They see their livestock sorted according to quality and weight and thus become better judges of livestock themselves. They learn what

Farmers learn a great deal by watching their livestock being graded and talking with the graders. They thus become better livestock judges and are encouraged to improve the quality of their stock.

kind (quality, weight, sex, breed, and the like) of livestock buyers want by observing prices paid for different kinds. It is much easier for them to do this when livestock is pooled. As a result of their observations, producers are encouraged to improve the quality of their livestock and follow better management and marketing practices. In the end, this means more dollars in their pockets from their livestock enterprise.

Saves Consignor Time. - About one-tenth of the market agencies said pooling saves the consignor time. This advantage appears to be most applicable to pooling operations at auction markets since nearly all comments of this nature came from them.

Agencies mentioned several ways pooling saves consignors time. They can deliver their livestock early in the morning and have the rest of the day free to do other farm work. Animals to be pooled are weighed on arrival at the market and are usually sold on this weight so that consignors are not penalized for early delivery as they would be if livestock were not weighed until sold.

At many markets, pooled livestock is sold early in the sale for the buyers' convenience, whereas if it were not pooled it might be sold at a later time. Thus consignors who want to see their stock sold can get home sooner.

Markets which pool livestock and sell it at auction do not allow consignors a "no-sale" privilege; that is, to refuse the high bid made by buyers. Consignors are forced to rely on the market agency's ability to get buyers to pay all the livestock is worth. Therefore, consignors need not stay for the sale to protect the price of their livestock as some of them would were they permitted no-sale privileges. Some market agencies also feel consignors can get their checks faster if livestock is pooled because it is sold earlier in the sale, it is sold faster, and office procedures are speeded up. All these factors may save consignors some time.

No Advantages or No Answer. - Only a few agencies gave no answer or indicated there were no advantages of pooling to consignors.

Disadvantages

As was true for market agencies, the advantages of pooling to consignors appear to overshadow the disadvantages. Although we received reports of 25 disadvantages, 16 were listed by no more than two respondents. Only two disadvantages were given by more than seven agencies. They are listed in the accompanying tabulation.

Less than one-tenth of the agencies responded with either of these disadvantages. They seem to be of only minor significance if the number of agencies reporting is any indication of their importance.

Eliminates No-Saleing and By-Bidding. - Some market agencies consider the prohibition of no-saleing of pooled livestock sold by auction as an advantage to consignors because it saves them time. Contrary to this thinking are the statements of 33 agencies that this restriction is a disadvantage to consignors. They must accept the price their livestock sells for, thereby losing their individual bargaining power. Of course, it is necessary for market agencies to prohibit the no-saleing practice because of the multiple ownership and loss of identity of the livestock in a pooled lot.

In addition to the restriction on no-saleing of pooled livestock, consignors cannot by-bid without taking the risk of buying a large lot. For example, a consignor may wish to bid on a lot of 20 calves to support the price of 2 he has in that lot. But, if he does so, he risks becoming the owner of the 20 calves, which he would then have to dispose of, perhaps at a large loss.

Penalizes Better Producers. - A second reported disadvantage of pooling is that the producers of better quality livestock are penalized when quality varies greatly among the animals in a pooled lot. The sorting, or grading, process is probably the most important phase of the entire pooling operation. The poorest quality animal in a pooled lot brings the same price as the best. If the quality varies widely among animals, the producers of the better animals carry the producers of

Disadvantage to consignors	Number reporting			
	Auctions	Special sales	Other	Total
Consignors cannot "no-sale" pooled livestock or by-bid without great risk	12	21	0	33
Better producers are penalized by wide quality variation within a pooled lot	26	3	3	32
None, doesn't know, no answer	91	64	1	156

The poorest calf in this pooled lot will bring the same price as the best one. Therefore, the market agency should do the best job of sorting possible to insure that the better producers are not penalized.

the poorer animals. The better producer does not receive the true value of his livestock and the poorer producer is not encouraged to improve quality.

Thus the market agency should do the best job of sorting possible to insure that every producer receives the true market value for his livestock. If the market agency fails to use strict quality standards in sorting, consignors of the better quality animals may find it advantageous to sell their livestock on its own merits rather than in pooled lots.

This disadvantage is probably more important than is indicated by the small number of agencies reporting it. We interviewed several market agencies which were sorting hogs and calves almost entirely on the basis of weight, with little or no consideration given to quality. In these cases the variation in quality within a pooled lot is almost certain to be great, with the result that the better producers are receiving less than the full market value for their livestock. This aspect of pooling can, however, work to the advantage of poorer producers.

No Disadvantages or No Answer. - A large number of agencies (156) again gave no answer or indicated there were no disadvantages of pooling to consignors, or none they know of. While not as impressive as in the case of disadvantages to market agencies, this is a good indication that the disadvantages of pooling to consignors are not too serious.

To Buyers

The pooling method of handling livestock must be evaluated from three different viewpoints. The two previous sections considered pooling with respect to market agencies and consignors. The third and equally important party affected by pooling is the buyer.

Advantages

Buyers benefit from pooling in many ways. Market agencies suggested 23 advantages which accrue to buyers of pooled livestock. All but 6 of these were mentioned by fewer than 20 agencies and 7 were listed by fewer than 5 agencies. The advantages reported by 20 or more agencies are shown in the accompanying tabulation.

Provides Large, Uniform Lots. - The most frequently stated advantage to buyers was that they could buy a large number of uniform animals in one lot. This comment came from over half of the market agencies contacted and from about twice as many special sales agencies as auctions.

Buyers can make more uniform purchases when buying large, uniform, pooled lots of livestock than when buying single-ownership lots. When livestock is not pooled, buyers must bid on one or a few animals at a time and try to put together a uniform load as the sale progresses. When livestock is pooled, it has already been sorted into such lots. This is especially helpful to farmer-feeder buyers who purchase livestock for their feedlots only once or twice a year and have little actual buying experience.

Uniformity of livestock is important to both packer and feeder buyers. The packer wants uniform livestock so he can satisfy his customers' demands for meat products uniform in size and quality. The feeder wants uniform livestock so he can have them all ready for market at about the same time. Both types of buyers benefit from pooling if the market is doing a good job of sorting.

Buyers may also benefit from the larger number of livestock usually sold in a pooled lot. They have to bid on fewer lots and sometimes they can fill their needs by buying one lot. Frequently buyers can

Advantage to buyers	Number reporting			
	Auctions	Special sales	Other	Total
Can buy large number of uniform animals in one lot	69	127	5	201
Saves buyer time and expense	80	113	1	194
Know quality of livestock in each lot and can depend on its being uniform from one sale day to another	37	9	1	47
Can determine quicker what livestock is available	26	3	0	29
Get better quality livestock	8	20	1	29
More sure of getting a load	21	2	0	23
None, doesn't know, no answer	17	14	3	34

Buyers can make more uniform purchases and save time and buying expense when buying large, uniform lots such as this lot of feeder pigs.

purchase a load of pooled livestock with one bid. Several auctions sell pooled lambs in load lots when their volume permits it. This minimizes the possibility of buyers having to ship less than a full load.

Saves Time and Expense. - Another important advantage of pooling, as reported by 194 agencies, is that it saves buyers' time and expense. Pooled livestock is sold faster so buyers can fill their requirements in less time. This may allow them to attend a sale at another market on the same day, something they would probably be unable to do were the livestock not pooled. Some auctions sell pooled livestock early in the sale so buyers can leave and attend another sale. Others coordinate the sale of pooled livestock with a neighboring market so buyers can attend both sales. If the livestock were not pooled, the time required to sell it would be greater and it likely would be sold later in the sale after livestock usually purchased by farmers had been sold.

Pooling saves the buyer time in getting his bill, checking out, and loading his livestock. Fewer computations are required in the office to figure the buyer's bill so he can pick it up and get his livestock released sooner. Actual checkout and loading time is reduced because a buyer's livestock doesn't have to be sorted out of a pen containing other buyers' animals. Neither does the buyer have to do a lot of sorting to fill his orders before he loads. All this saves the buyers' own time as well as that of their truckers.

The time pooling saves buyers can reduce their buying expense in two ways.

First, they may be able to return to their base of operations sooner, thereby saving some expense for meals or lodging or both. Second, if a buyer can attend two sales on the same day, this eliminates the need for another buyer to attend the second sale. This applies particularly to some specialty buyers of small stock. In addition, a saving in a trucker's or yardman's time may reduce the labor cost to the buyer.

Several agencies mentioned that a buyer can do a good job of buying pooled livestock without being highly trained. Thus, packers can reduce their buying expenses by hiring men with less training and experience at a lower salary. Feeders may do much of their own buying rather than rely on an order buyer or dealer. This is possible because the grader sorts the livestock into uniform lots and the buyer can shift most of the responsibility for quality determination to him.

Promotes Uniformity from Week to Week. - Buyers know the quality of the animals in each lot and can depend on its being uniform from one sale day to another when livestock is pooled. This observation was made by 47 market agencies, of which 37 were auctions. So most of our comments on this advantage will concern pooling operations at auctions.

Buyers soon become acquainted with the quality standards and weight limits a grader uses to sort livestock into pooled

This grader tries to keep his grading standards uniform so buyers can depend on the quality of livestock in each pooled lot being the same from week to week.

In a pooling operation livestock are penned according to quality, weight, and other characteristics. This allows buyers to determine more rapidly how much and what kind of livestock is available.

lots. After buying several lots and studying his kill sheets, the buyer knows the quality and weight of the animals put into each lot. Since the grader tries to maintain the same standards, buyers can depend on the quality of livestock in each lot being uniform from week to week. They can buy a lot of livestock and know what they are getting.

With a good knowledge of the grader's standards, a buyer can purchase livestock without being present at the sale and be assured of the quality of the animals he will get. He can phone an order to the market for the specific lot, or lots, he wants to buy. In many cases the buyer need only tell the market the pen number of the livestock he wants, since each pen is permanently designated for pooled stock of a particular grade and weight.

The opportunity to be able to buy on description with confidence in the kind of livestock he will get is of great value to the packer-buyer. It not only saves him time and buying expense but it also may mean the difference between operating his plant at capacity and at something less than capacity. The feeder-buyer also may benefit by being able to fill his feedlot at a time when circumstances will not allow him to attend the sale in person.

Improves Knowledge of Livestock Available. - A total of 29 market agencies, 26 of them auctions, reported that pooling allows buyers to determine earlier in the day how much and what kind of livestock they may be able to buy. At many markets where livestock is not pooled, animals are penned together without regard to quality, weight, or other attributes. This makes it difficult for the buyer to determine how much livestock is available of the quality and weight he wants to buy. The sale may be nearly over before he can determine the amount of livestock he is going to get.

In a pooling operation, livestock are penned according to quality, weight, or other attributes and the buyer has an opportunity before the sale starts to get an idea of what is available and what he can purchase. Because of this knowledge and the earlier and more rapid sale of pooled livestock, buyers can arrange for transportation and notify the plant of their purchases earlier than if the livestock were not pooled. If the buyer sees he cannot fill his needs at that market, he can then make arrangements to purchase additional livestock elsewhere.

Improves Quality. - About 1 out of 12 agencies reported that buyers get better quality livestock as a result of pooling. Over two-thirds of those making this comment were special sales agencies in whose operations other practices may affect quality more than pooling does. We did mention under advantages to consignors, however, that several agencies believe pooling encourages producers to improve the quality of their livestock.

Improves Chances for Buying Full Loads. - Another advantage given by only a few agencies is that buyers are more certain of getting a full load when buying pooled livestock. They feel selling larger lots and the buyer's increased knowledge of the livestock available give him a better chance to buy a full load. Getting a full load is important to the buyer because it lowers his transportation cost. The operating costs for a fully loaded truck are very little higher than for one only partially loaded and this is reflected in trucking rates. They are much higher if the minimum weight is not attained.

No Advantages or No Answer. - Again, only a few agencies gave no answer or indicated there were no advantages of pooling to the buyer.

Disadvantages

Not all aspects of pooling are advantageous to buyers. Reports covered 21 ways in which it was disadvantageous to them. While this number is fairly large, the disadvantages of pooling appear to be much less important than the advantages. Only 1 disadvantage was reported by more than 10 percent of the agencies contacted; only 6 were given by more than 10 agencies. The accompanying tabulation lists these disadvantages.

Increases Price. - The most important disadvantage to buyers is that they frequently have to pay a higher price for pooled livestock. Almost one-fifth of the agencies made this comment. Of these, 53 were special sales agencies where other factors make it difficult to determine the effect of pooling on livestock prices.

Disadvantage to buyers	Number reporting			
	Auctions	Special sales	Other	Total
Have to pay a higher price	15	53	1	69
Have to buy lots offered regardless of size	26	9	0	35
Have more competition	3	17	0	20
Shrink on pooled livestock is high	6	10	0	16
Feeder livestock in a pooled lot may not feed out uniformly	0	15	0	15
Livestock in pooled lots may not be uniform enough	8	5	0	13
None, doesn't know, no answer	69	65	1	135

As indicated in our discussion of advantages to consignors, the buyer of pooled livestock usually pays a higher price because of increased competition and more effective merchandising. Several agencies indicated, however, that the extra service the buyer receives and the saving in time and expense he realizes as a result of pooling are worth the higher price he has to pay for the livestock.

We agree with this position as we feel the market agencies that are pooling livestock are performing an economic service which buyers should pay for. They pay for this service only in proportion to the benefits they receive. If buyers were not receiving value for the added cost, they could not afford to pay a higher price for pooled livestock than for that sold in single-ownership lots.

Imposes Definite Lot Sizes. - A second disadvantage reported by 35 agencies, mostly auctions, is that buyers have to buy the pooled lots offered by the market, regardless of the number of animals they contain. Lot size may work against buyers' best interests in several ways. First, the lots may be too large for some small buyers who need only a few head. Since they cannot handle an entire lot, it may be difficult for them to fill their needs at a market where pooling is practiced.

Second, buyers prefer to purchase pooled livestock in larger lots than some markets offer. This situation may arise as a result of a small total volume of livestock or too strict sorting standards. If the small lot-size is due to a small total volume, the market can do little to overcome this disadvantage in the short run.

Buyers usually have to buy the pooled lots offered by the market, regardless of the number of animals they contain. To overcome this disadvantage to buyers some agencies offer several small lots which will meet the needs of small buyers.

Third, the pooled lots offered may be of such sizes that buyers have difficulty making up full loads. As mentioned in our discussion of advantages to buyers, several auctions sell pooled lambs in truckload lots. At auctions where this is not done with lambs or other livestock, buyers frequently get together after the sale to work out their loads.

The disadvantage arising from lot size can be a real problem in areas where a number of small killers furnish much of the demand for slaughter livestock. However, often some single-ownership and small pooled lots are sold which will meet these buyers' needs. Many markets make special provisions to meet the needs of small buyers upon their request. Although most of the market agencies did not feel this was a serious disadvantage, the capacity of buyers should be considered when establishing sorting standards and determining a maximum size for pooled lots.

Increases Competition. - A total of 17 special sales agencies and 3 auctions reported that buyers have more competition when buying pooled livestock. Pooling attracts more buyers or larger buyers or both. A larger number of buyers bid on each pooled lot than would be bidding on each single-ownership lot were the livestock sold that way.

Only one lot or a few lots of the same kind of livestock may be offered at a sale. Thus if a buyer really needs livestock, he cannot risk letting another buyer purchase a pooled lot for a lower price than he himself could pay. When livestock is sold in single-ownership lots, the buyer may pass up some livestock, realizing that there will be more of the same kind sold later in the sale.

Many of the special sales agencies listing this disadvantage were comparing the buying of pooled feeder livestock sold by auction with buying direct from the farm. They said pooling was disadvantageous to buyers because they must bid in open competition with other buyers. This is not a disadvantage of pooling, as it would be true at any auction sale, whether or not the livestock were pooled.

Increases Shrink. - Another disadvantage reported by only a few agencies is that the shrink on pooled livestock is high. Animals to be pooled are weighed on arrival at the market and are usually sold on the basis of that weight. Consequently, the buyer is paying for weight lost during the time livestock is waiting in the yards to be sold. Single-ownership livestock sold by auction is usually weighed into or out of the auction ring. Thus, the buyer is paying only for the weight at time of purchase.

We do not feel this disadvantage is serious to the buyer. After he has purchased a few lots of pooled livestock he knows how much more shrink he is absorbing than if he were buying single-ownership lots. He merely has to adjust his price to compensate for the higher shrink and lower dressing percentage.

Does Not Insure Uniform Feedlot Performance. - A somewhat more serious disadvantage is that feeder livestock in a pooled lot may not feed out uniformly. This comment came from special sales agencies, exclusively, and is probably more important than the small number of agencies reporting it would indicate.

Livestock in a pooled lot belongs to several owners and comes from different farms. Consequently, individual animals' breeding differs and their feeding performance may vary widely. Although many graders try to take into account probable gaining ability when sorting feeder livestock, the animals in a pooled lot may not feed out uniformly. Feeders, however,

While the feeder calves in this pooled lot are uniform in appearance, they could have come from as many as 20 different herds and may not feed out as uniformly as calves produced on the same farm.

want livestock which is not only uniform in appearance but which will feed out evenly.

It is a definite advantage to them to have animals finish at about the same time. This saves the feedlot operator time and expense and allows him to offer the packer buyer a uniform package which should command a premium price. An exception would be large feeders who are not so concerned with uniformity as they market frequently throughout the year and can sort out uniform lots which will be attractive to buyers.

Pooled Lots May Lack Uniformity. - Another disadvantage closely related to this is that livestock in pooled lots may not be similar enough to satisfy the buyers. Most experienced buyers can do a good job of putting together a uniform load when buying nonpooled livestock. They may be able to purchase more uniform livestock by this method than they can by buying at some of the markets which are now pooling.

One of the major reasons for this lack of uniformity is that these markets use little or no quality considerations when sorting some species of livestock into pooled lots. Graders must consider quality in their sorting operation if they are to provide the best possible service to consignors and buyers. Unless a good job of sorting is done, buyers cannot purchase uniform loads and neither they nor the consignors will realize many of the advantages reported here.

No Disadvantages or No Answer. - Over one-third of the agencies contacted gave no answer or indicated there were no disadvantages of pooling to buyers. While this is not as high a proportion as in the case of disadvantages to market agencies and consignors, it is an important indication that the disadvantages of pooling to buyers are not of major significance.

Problems and Solutions Reported by Market Agencies

All agencies contacted by both mail and personal interview were asked to list the problems encountered in starting and in carrying out their pooling operations in recent years. They were also asked how they solved or dealt with these problems.

In many cases the present operators did not know what was done to solve the problems because they were not with the agency at the time the pooling operation began. In other cases, the problems took care of themselves as the operators and farmers gained more experience with this new method of marketing.

Special sales agencies tended to interpret this question as though it were directed to their operation as a special sale rather than to the strictly pooling aspects of it.

Starting a Pooling Project

One out of every three agencies reported they knew of no problems associated with the starting of the pooling operation. Most of these answers came from the auction operations and can be explained in part by the fact that many of the present managers were not with the markets at the time pooling was started, so had no opportunity of knowing the problems encountered.

Altogether 67 different problems were mentioned, some of them by 70 or 75 agencies, but many of them by only 1 or 2.

Strictly Pooling Problems

Only 15 of the 67 problems listed pertained specifically to pooling. Four of these 15 were more important than the rest. These four problems together with the number of times mentioned by market agencies are shown in the accompanying tabulation.

Convincing Farmers to Pool. - The problem of convincing farmers that it was to their advantage to pool their livestock did not seem to be too difficult in most instances. Stockmen often were skeptical at first but after they saw the results of the first few sales, and the increased prices buyers were willing to pay for livestock put up in larger, more uniform packages, they were willing to have their own stock graded and pooled. This problem was usually solved by a combination of educational work by leaders sponsoring the sale and having the farmers see for themselves the price advantage to be derived from grading and selling in pooled lots.

Providing Adequate Facilities. - The problem of adequate sale facilities was mentioned primarily by special sales agencies. It was not usually a problem with the auctions. The auctions in some areas provided for this type of operation when

Problem	Number reporting			
	Auctions	Special sales	Other	Total
Convincing farmers to sell in pooled lots	20	20	0	40
Arranging for adequate facilities	5	31	2	38
Educating farmers on livestock grades	17	8	0	25
Satisfying farmers on grades put on their livestock	14	7	0	21

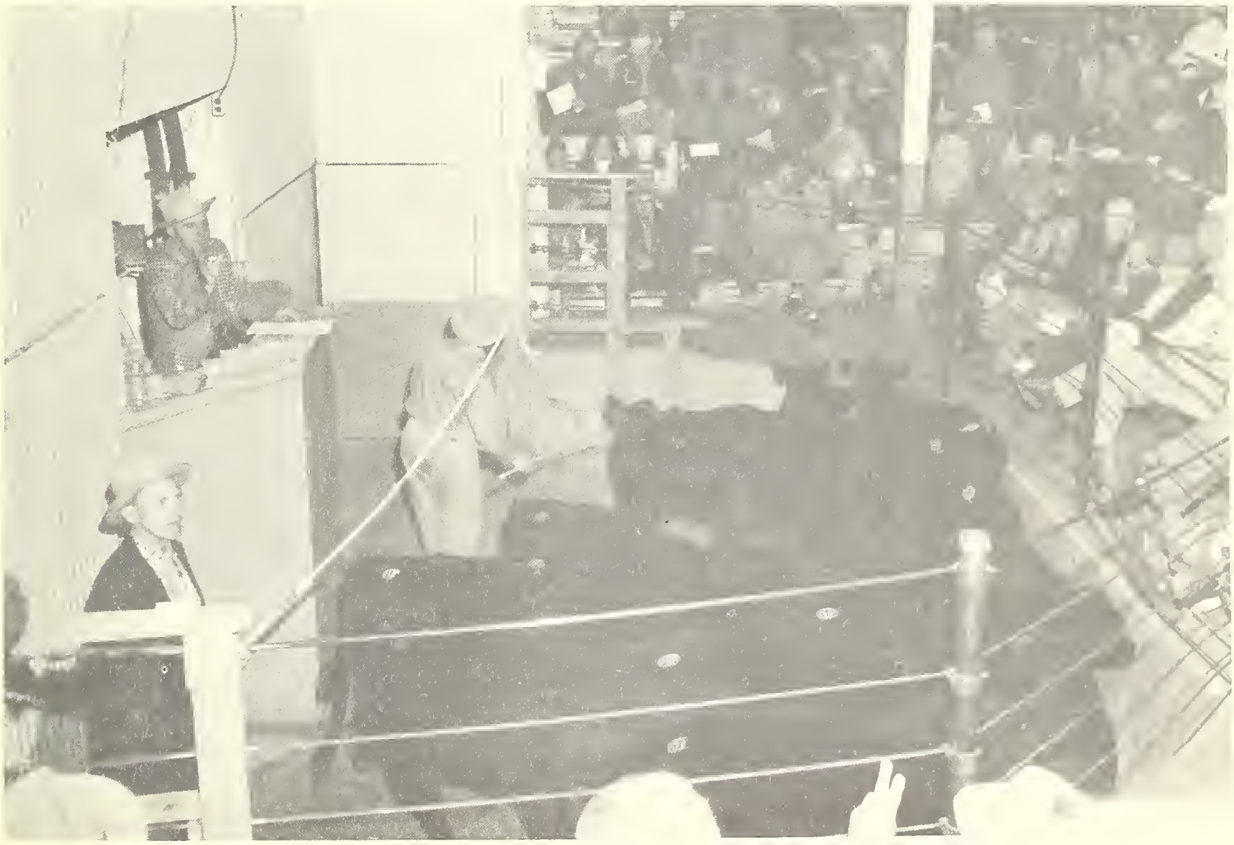
they built their facilities. But many auctions still have inadequate sorting and grading facilities for carrying on a pooling operation.

The special sales operating only seasonally had the choice of arranging with a local auction to use its facilities, building some which ordinarily would be rather expensive with the limited use they would receive, or making other arrangements. In a number of cases, county fair facilities were adapted and used. Local service clubs or chambers of commerce often helped in any way they could. Local people who were interested in the success of the program, in some instances, loaned money or made land available for the building of facilities.

In one case where a new feeder pig sale association was faced with this problem, a farmer whose place was centrally located tore down an old barn and used the materials to build an efficient facility to handle the pig sales. He contracted to rent this new facility to the association for a fee of 25 cents per pig handled.

Educating Farmers on Livestock Grades. - This was found to be more of a problem at auctions than at special sales apencies. Approach to its solution was made through various types of educational programs.

Auction management and the grader frequently talked with farmers, explaining how the grades were determined and why an animal was placed in a particular grade. The farmer would often be encouraged to observe the grading operation. Extension



This special sales agency solved its facility problem by arranging to hold its feeder calf sale at a local auction market.

and State Department of Agriculture personnel conducted livestock grading demonstrations to acquaint producers with various grades of livestock. These demonstrations were especially helpful to special sales agencies.

Satisfying Farmers on Grade. - Another problem closely related to the one just discussed was that of keeping farmers satisfied with the grader's decision regarding the grade of their livestock. We also found this problem mostly with auctions and noted similar suggested solutions—education and talking with the farmer and explaining to him why his animal was placed in a particular grade.

As the pooling program progressed, this problem caused less trouble. In many cases the market agency permitted farmers dissatisfied with the grade to have their livestock offered by itself. As mentioned previously, this usually resulted in a lower price and helped to convince the stockman he should have his animals graded and pooled with those of his neighbor.

However, if he has an animal that is clearly better than the grade it may be desirable to hold it out and sell it separately. But this should be done only if the animal is actually better, not if the farmer only thinks it is better. Every effort should be made to convince the farmer of the grade his animal should be placed in but still leave him the option of selling as he desires.

Special Sales Problems

Several other problems mentioned frequently were of the type that may have been encountered at any special sale, even if there had been no commingling of livestock. Listed in the accompanying tabulation are those given most often, together with the number of times mentioned by each type of sales agency.

Of the agencies that mentioned these problems, about seven-eighths were special sales and only one-eighth auctions. Twenty-eight of the 201 special sales agencies indicated no problems were encountered or they did not know of any.

Getting Support from Producers in the Area. - This problem was mentioned almost exclusively by the special sales agencies. Seventy, or about 40 percent of those reporting some problems, indicated they had trouble getting support from producers.

It is understandable that livestock producers would hesitate to consign their stock to a new association they knew nothing about. Much of their year's efforts as well as capital were tied up in these animals. It is only natural that they would

Problem	Number reporting			
	Auctions	Special sales	Other	Total
Getting support from producers in the area	5	70	0	75
Getting sufficient volume to hold the sale and attract buyers	10	55	6	71
Educating farmers to improve the quality of their livestock	11	33	9	53
Getting farmers to conform to sale requirements	0	24	0	24

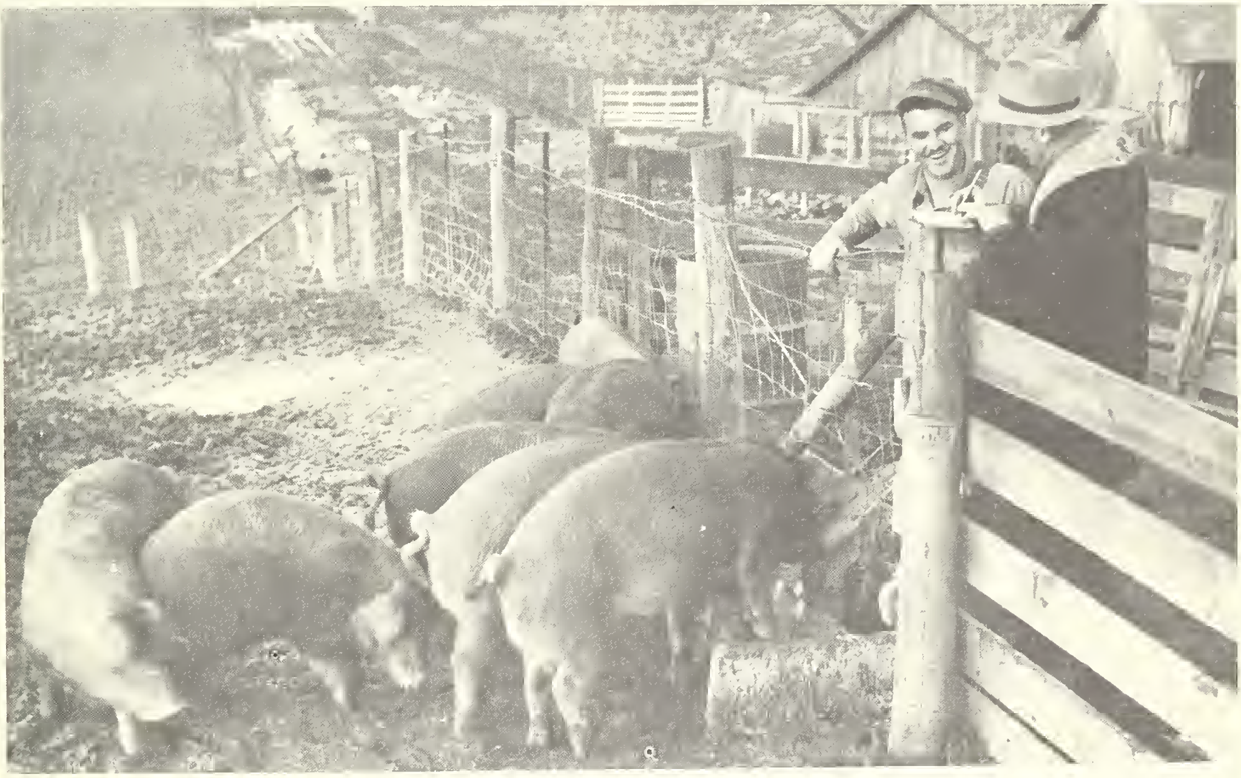
wish to be sure their livestock would sell for what it was worth.

Like the other problems discussed above, various means were used to solve this problem of lack of support. One pat answer could not possibly suffice. Various educational devices were used—meetings, telephone calls, letters, personal visits, and newspaper and radio advertising. Each was designed to show how farmers who patronized the sale were dollars ahead. Results of successful sales were soon spread among livestock producers. Support from producers was gradually developed but many sales still have this problem.

Getting Enough Volume. - A companion problem is that of getting sufficient volume to hold the sale and attract buyers. Again this problem was mentioned largely by the special sales agencies. The same general methods were given to secure volume as to get support from producers in the area—educational meetings and promotion of various kinds, personal contacts, and use of radio, newspapers, and other mass media.

In the case of an early, small lamb pool that did not have enough volume to make an economical shipment, the lambs were shipped with other pools until the volume became large enough. When another association discovered it was not getting enough volume from the area originally planned on, it expanded to include additional counties.

Improving Livestock Quality and Getting Compliance with Sale Requirements. - Educating farmers to improve the quality of their livestock and getting them to



A problem mentioned frequently by special sales agencies was that of getting producers to consign their livestock. Some agencies require producers to sign agreements to sell their stock through the special sale.

conform to sale requirements are two problems quite closely related. These problems also were found largely at the special sales with few reported from the auctions. Here again the problems became less serious as time passed and the sales developed.

Farmers were able to observe that the better quality animals brought higher prices. This was encouragement enough for many of them to improve their breeding program and have their livestock in better condition for the sale. Many producers do not like to have their neighbors see them bring in poor quality stock, so personal pride may be considered a further encouragement to improving quality.

Educational programs of various kinds were used. These included meetings, discussions on improved feeding and parasite and disease control, personal visits, tours, and demonstrations of some of these improved practices. Such things as castration of lambs, pigs, and calves, docking of lambs, dehorning of calves, and culling of all species received special attention. State and regional livestock specialists were often called in for these meetings and demonstrations.

In many cases the sales association sponsored the importation and distribution of better bulls, rams, and boars. Special purebred sales were also held.

The members of many special sales agencies have adopted minimum standards which livestock must meet before it can be sold at the sale. To assure compliance with these requirements, many associations had a committee that inspected the livestock at the farm prior to the sale. A final inspection at the sale before the stock was unloaded was also frequently required. Any animal that did not meet the standards that had been set and agreed upon was rejected. We consider this to be a useful educational device.

Producer on right is a member of a committee of farmers which inspects the feeder cattle as they are unloaded at the sale facilities to make sure they meet the requirements set up by the association and approved by the members

Conducting Pooling Operations

Respondents listed 84 problems as having been encountered in conducting pooling operations in recent years. This seems a large number but most problems were mentioned by only one or two agencies. Of the most frequently encountered problems, only 11 were mentioned by as many as 10 agencies. More than one-fourth of all respondents either did not answer this question or indicated they had no problems in recent years. This would seem to speak well for this method of marketing with most agencies having none or only one or two problems.

Problem	Number reporting			
	Auctions	Special sales	Other	Total
Getting grading done so it is equitable to consignors and buyers	71	8	3	82
How to deal with high shrink in pooled livestock	10	4	4	18
Overcoming consignor resistance to commingled-ownership selling	11	5	0	16
Differences in grade standards between markets	4	3	1	8

Strictly Pooling Problems

Most of the problems concerned aspects of the operation not associated with the strictly pooling phase. Four problems pertaining primarily to pooling stood out. The accompanying tabulation gives these, together with the number of agencies listing each.

Getting Grading Done Equitably. - The problem of getting an equitable job of grading done was listed by 82 agencies, most of which were auctions. This represents 30 percent of those that listed some problems. For the most part it was a problem of keeping the farmer satisfied with the grade placed on his livestock. Complaint came more from agencies handling veal calves than from those handling other classes of stock and more when the auction was responsible for the grading than when it was done by State graders.

When the farmer complained about the grade his livestock was placed in, some auctions would occasionally allow the animals to be upgraded if the grader felt it was justified. But this did not happen very often and respondents who commented on this point recognized a real danger in this procedure. The solution given most frequently was to allow the farmer to have his animals sold in single-ownership lots. Of course, this does not solve the basic problem but merely circumvents it.

Other suggestions involved explaining the grading procedure to the farmer and having him observe the grading, taking him into the pen and showing him why his animal had to be placed in a particular grade.

In a few cases farmers may have had legitimate complaints about the grading. It must be done by human beings, using subjective judgment. So, in fairness to the stockman and the buyer, it is important that the grader have no vested interest in the livestock. He should be an experienced man, a good judge of livestock, and should try to be consistent in his grading from sale to sale throughout the year. The grader is in a sensitive position. He must satisfy the buyer by providing him with a uniform group of livestock that qualifies as to the designated grade. At the same time, he must not grade so tightly that he will drive some farmers to another market where the grading is not so strict.

Dealing with Shrinkage. - How to deal with the high shrink in pooled livestock was the next most important problem encountered in recent years by several agencies. This problem arises largely from complaints of buyers. It was found primarily at auctions but to some extent at special sales. Many of the agencies that listed this problem did not suggest a solution.

State Department of Agriculture personnel grade the livestock sold at all special sales in Virginia as well as that sold at most of the auctions which are pooling. These men are well trained and have no financial interests in the livestock or the market agency.

Some agencies may find this one of the major problems when changing to pooling. Under the conventional system, animals are weighed at the time of sale. Thus buyers are able to determine if there is any unusual amount of fill and, if so, to discount the price accordingly. It is easy to see why a buyer might be reluctant to change to a procedure where the animals have been weighed several hours before he buys them. Excessive fill is a problem in some areas but an alert sales management should be able to detect over-filled animals.

The problem for the buyer then becomes one of determining the difference in the yield of meat from the livestock when weighed on arrival and when weighed at the time of sale. With a little experience he can make this determination and can adjust his price accordingly. In most cases the buyer will probably be convinced that the advantages to him under the grading and pooling method far outweigh this disadvantage and any others.

Overcoming Resistance to Commingling. - Buyers were not the only ones who resisted change to the pooling method; a few sellers also resisted it. But their point of view was different from that of the buyers. While some of the buyers objected to the weighing conditions, some sellers objected to commingling their livestock with those of other stockmen.

The only real solution to seller resistance was education—explaining to the farmer the reasons for pooling and the advantages he would derive from it. In a few cases respondents suggested allowing the farmer to sell his animals in individual-ownership lots. But this did not overcome resistance to commingling.

Reconciling Differences in Grade Standards. - The problem of differences in grade standards between markets has several aspects. One difference was mentioned as between special lamb pools and auctions handling lambs. Some markets located near a State border complained that they lost volume to markets in a neighboring State whose grade standards were lower.

A solution mentioned to this problem was that the graders all be trained by the State or U. S. Department of Agriculture, and move from one market to another at regular intervals—perhaps every 4 to 6 months. A real effort should be made to coordinate grading within each State and between States. Standards should be drawn up and used throughout an entire region if possible.

Special Sales Problems

Respondents listed six other major problems quite often. These were of the type that may have been encountered by special sales agencies even though they did no pooling. Listed in the accompanying tabulation are these problems together with the number of agencies that mentioned each.

Getting Enough Volume. - Getting sufficient volume to have a good sale and attract buyers is always a problem. It was given as a major problem of starting pooling operations and has continued as an important one in recent years. This problem was given by quite a few auctions as well as many special sales agencies. In this regard, it is unlike most of the other problems in this section which were confined largely to the special sales. Solutions varied widely with the species of livestock and the State or area involved.

Implicit in most of the suggested solutions was the idea of continued educational and promotional work. Some of those mentioned were personal visits by the sales management, publicizing results of the sales, expanding territory covered, combining with other sales in the area, and trying to discourage the establishment of new sales in areas where available livestock would not support them.

Getting Producers' Full Support. - The problem of getting full support from

Problem	Number reporting			
	Auctions	Special sales	Other	Total
Getting sufficient volume to have a good sale and attract buyers	11	30	6	47
Getting producers' full support	1	26	0	27
Maintaining or improving quality of livestock coming to the sale	2	24	0	26
Getting producers to properly prepare livestock for sale	0	16	0	16
Keeping facilities adequate to handle volume	1	22	0	23
Getting and maintaining sufficient buying competition	5	10	1	16

Educational meetings like these were especially helpful in getting producers to support special sales.

producers in the area was closely allied to that of securing volume. It was also mentioned often as one of the problems in starting pooling operations. It was confined almost exclusively to special sales and was stated differently by different agencies. Some complained it was hard to get large producers to consign; others that it was hard to get producers to break away from their set marketing habits. Getting farmers to live up to the sale requirements and to assume leadership in the association were other aspects of this problem.

The most frequently listed solution was educational programs of various kinds, particularly meetings. In some cases a dinner meeting was suggested with the thought that it would encourage greater attendance. On-the-farm visits were again suggested where the stockman could be given counsel and advice on his production as well as his marketing problems.

Delay in payment for livestock sold can aggravate this problem. In many cases producers are able to get their money from the sale immediately after it is over. However, in a few instances the settlement is delayed pending clearance of buyers' checks and drafts.[6]

One association makes a practice of having a "pay off banquet" for all consignors 10 days or 2 weeks after the sale. Here the management discusses the sales results in detail, including prices received by class, weight, and grade. Management may also compare these prices with others in the area and point out the price advantage to those who have patronized the sale. The final item of the banquet meeting consists of handing out sales proceeds checks to each member and getting his consignment for next year's sale.

[6] This occurs at special sales agencies which hold only one or a few sales each year and are not subject to provisions of the Packers and Stockyards Act.

Maintaining or Improving Livestock Quality and Getting Producers to Properly Prepare Their Livestock. - These two closely related problems were further carryovers from those encountered in starting pooling. They had similar solutions so we will discuss them together. The first problem is a little broader than the second. It includes producing better quality livestock through improved breeding programs. The second problem is largely one of proper dehorning, docking, castration, and the like.

Suggested solutions to these problems were rather diverse. Production testing programs and getting better breeding stock into the area, especially sires—bulls, boars, and rams—were mentioned by several. One association took pictures of bulls which sired the top quality calves at the sale. These were to be used as displays at various meetings and perhaps at the sale next year. Another agency had an actual animal display of meat-type sows, gilts, and boars at a feeder-pig sale.

Hog cutout demonstrations, grading schools, and demonstrations of improved management practices were used by special sales agencies to encourage producers to improve quality of their stock.

Educational meetings and programs of various kinds were stressed. These were usually conducted by the county extension agent, often with the help of State specialists. These educational devices included grading schools, farm tours, and demonstrations of dehorning, docking, castrating, testing, and vaccinating. One farm supply cooperative furnished serum at cost. Extension agents also wrote letters and news articles and put on radio programs to encourage culling of undesirable breeding animals, purchase of better sires, sowing of early pasture, creep feeding of lambs, and other improved production practices.

Most of the special sales associations had drawn up rules and regulations designed to set a standard of quality for the livestock offered at the sale. These regulations had been accepted by all members. Requiring strict compliance with these rules and tightening them when necessary should help to keep the quality of offerings in line. Often these regulations would provide for field inspection of the livestock by a committee of producers before the sale. When performed faithfully, this inspection has real educational value.

Several associations mentioned one other solution to these problems. If the sale could show a good strong price differential in favor of improved quality livestock, this would do more, perhaps, than anything else to encourage stockmen to produce these better animals and properly prepare them for the sale.

Keeping Facilities Adequate. - As mentioned above, inadequate volume was frequently a real problem. However, with hard work, good planning, and farmer support, this problem may gradually be solved. But its solution may be responsible for creating another problem—one of inadequate facilities. It is a paradox, then, that in certain cases this second problem is welcomed because it points to a solution of the first.

This, however, does not take away from the seriousness of the facility problem which was presented largely by the special sales agencies. They use the facilities only seasonally or at most a few times a year. Frequently these agencies held their sales at the local auction markets, many of which were deficient in sorting and grading facilities. Auction management was sometimes reluctant to put out the capital necessary to improve the facility for this infrequent use. However, if auction management recognized a potential for growth and expansion of the livestock industry in the area and if it had confidence in the management of the special sales agency, usually the necessary expansion would be made. In some cases this would necessitate a small increase in the fee charged at the special sale.

In other cases solution to this facility problem was to have two sales. This worked particularly well with agencies handling about equal numbers of two breeds of feeder calves. One sale could be held for each breed if there was sufficient volume to attract buyers. When this is done it is well to coordinate both sales with others in the area so that buyers will be able to fit them into their circuits.

Two other suggestions were made as solutions to the facility problem. One involved a tightening up of standards so that some livestock would be kept out because it could not qualify. The other suggested limiting the size of consignment. If the sole purpose of these suggestions were to limit the number of livestock so they would fit into the available facilities, this might be false economy. Another look at the problem might suggest having another sale, enlarging the facilities, or moving to a different location.

Maintaining Buying Competition. - Getting and maintaining sufficient buying com-

This special sales agency raised capital and built its own sale facilities. An alternative solution to the facility problem is to use a local auction.

petition is the final problem we shall discuss. Most of the comments came from lamb pools where lack of competition is often a real problem. It seems to have been accentuated by the decline in lamb numbers since their peak in the early 1940's and especially with the decline in number of lamb killers.

Not many satisfactory solutions to this problem were suggested. One auction manager indicated he attempted to have an order or two for lambs to help protect the market. Another agency had a list of buyers and sent them letters telling them of dates of the pools, the number of head expected, and something about the probable grades and weights. When most of the lambs had been received, the sales manager might call some of these buyers, telling them of the number, weights, and grades and negotiate the sale price by telephone.

Suggestions for Operating Successful Pooling Programs

The suggestions in this section cover four broad areas of pooling—establishing a pool, grading livestock, handling and selling pooled livestock, and expanding livestock pooling. The suggestions are based on information obtained in the course of this study and are made for the benefit of producers and their marketing agencies interested in pooling.

Establishing a Pool

Before establishing a pool, market agencies should consider a number of factors which will have a definite bearing on the success of the operation. These factors, which are discussed here, include livestock receipts, consignors' and buyers' support, buying competition, facilities, order of sale, species to be pooled, accounting procedures, and marketing practices in the area.

Study Livestock Receipts to Determine Their Makeup

Volume is important to the success of a pooling operation; but equally important is the makeup of that volume. A market agency should study its receipts of livestock to be pooled to determine how many head each graded lot might be expected to contain. If there would be only two or three head in most lots, a pooling operation probably would not be justified.

Get Consignors' and Buyers' Support

A market agency should start in the early stages of planning for a pooling operation to enlist the full support of buyers and consignors. This requires a well developed and executed educational program designed to inform them of the advantages and limitations of pooling, the procedures used in handling pooled livestock, and some of the problems which will be encountered. Both consignors and buyers must be convinced that pooling will be beneficial to them.

Insure Sufficient Buying Competition

Before starting a pooling operation, a market agency should determine if present buyers will furnish sufficient competition for pooled lots of livestock. The management's personal knowledge of these buyers' demands, together with an examination of their invoices from several sales, should provide the information needed to determine if there will be sufficient competition for each pooled lot. New and specialized buyers should be brought in to fill any gaps in buying competition. Newly organized market agencies which intend to pool livestock should make sure they attract buyers who will provide sufficient demand for all pooled lots.

Provide Adequate Facilities

Market agencies wishing to start pooling should study their existing facilities carefully and make changes where necessary to provide adequate and efficient pooling facilities. Such changes might include installing a scale near the receiving docks, rearranging pens and alleys, or constructing grading pens and alleys. A newly organized special sales agency should consider alternative means of providing adequate pooling facilities, but to hold costs down it should investigate carefully the possibility of arranging for the use of facilities already established rather than building new ones.

Consider Order of Sale Carefully

A market agency which is changing from single-ownership to pooled selling should consider carefully the order in which it sells different classes of livestock. Since pooling reduces sale time, the market may want to consider selling pooled stock earlier in the sale, or coordinating the time pooled stock is sold with a neighboring market, to allow buyers to visit both on the same day. If pooled stock is to be sold in the pens, the market may want to sell it while other livestock is being sold in the ring or during a break in the sale.

Pool as Many Species as Possible

Market agencies handling all species of livestock should pool as many species as circumstances will permit in order to make full use of the grader's services and receive maximum benefit from pooling. A grader is frequently under-employed when only one type of livestock is being pooled. His specialized talents should be used to the fullest extent in order to reduce the grading cost for each animal. Also, operating costs will be reduced more as larger volumes of livestock are pooled.

Develop Efficient Accounting Procedures

Accounting and office procedures are somewhat different for pooled and single-ownership sales of livestock. Before starting a pooling operation, a market agency should develop efficient accounting procedures for handling pooled sales. Agencies now pooling livestock, particularly special sales agencies, should study their accounting procedures carefully with a view to streamlining them where possible.

Encourage Pooling Throughout Area

It would be desirable for all market agencies in a particular area to start pooling at the same time. This would help maintain the same price relationships between the markets as prevailed before pooling was started and permit buyers to buy pooled livestock at all of them. It also may help to attract more and larger buyers than if only one agency started pooling. In addition, if the grading at all markets is to be done by an independent agency the grader or graders could be employed more advantageously.

Grading Livestock

Accurate grading is an essential element of an effective pooling operation. Building a reputation with both the consignor and the buyer for accurate livestock grading involves several important steps. They are discussed here.

Get Competent Grader

An all-out effort should be made to get a competent grader who knows livestock, is conscientious in his work, completely unbiased, and has no vested interest either in the livestock or the market where he works. Grading is being handled satisfactorily in many cases by market employees as well as by a public agency such as the State Department of Agriculture. However, since there is much less opportunity for dissatisfaction and grading standards are likely to be more uniform between markets when the service is performed by the disinterested public agency, we recommend its use whenever possible.

Grade Accurately

Grading should be done accurately and the grades should not be too wide. This is essential in order that stockmen be paid for the quality of livestock they produce. Buyers will pay the full value of the livestock only if the animals are uniform within the group.

Keep Lots Uniform in Weight

Animals in a pooled lot should be uniform in weight as well as quality. Therefore, the weight limits set up for each lot should not be too wide but should conform with established buying practices. Adjustments in the weight limits may be required from time to time as buying practices change.

Stand Firm on Grades

Regardless of who his employer is, the grader should do the best job he can and

A competent grader is essential to a successful pooling operation. Buyers will give full market value and consignors will be treated equitably only when a good job of grading is done.

then stand by his decision. It is also essential that the market agency stand solidly behind him.

Keep Grading Standards Uniform From Week to Week

This is especially important to the packer-buyer. After buying a given grade for several weeks, he can study his kill sheets and be assured of getting the same quality when he buys this grade again. If unable to attend the sale, he can even call his order into the market with confidence.

In order to assure this uniformity, graders should frequently follow lots of slaughter livestock through the packing plant and observe the carcass grades.

Coordinate on a Regional Basis

Uniformity of grades and standards among market agencies within an area is important as is uniformity of animals within a lot. Uniformity of grading throughout the country would be enhanced if all agencies used official United States standards for grades of slaughter and feeder livestock when they are available. These standards may be obtained from the Livestock Division, Agricultural Marketing Service, U. S. Department of Agriculture.

Regional conferences have been held to help coordinate this grading work and States well along with their programs have given valuable assistance to other States in developing a more effective program. We recommend these activities be continued and expanded under leadership of the U. S. and State Departments of Agriculture.

Statewide or regional grading schools should be held at frequent intervals for all graders—both State graders and those employed by auctions—in order to keep standards uniform throughout the area. Such schools should give graders the opportunity to see the carcasses of the animals they grade and compare their live grade with the carcass grade.

Watch Excessive Fill

Some producers fill their animals excessively and try to use this method to sell water and feed at the price of livestock. This is unfair to the buyer and to other producers who have livestock in the same lot. We suggest a strict policy be adopted and adhered to. Any livestock received with excessive fill should be excluded from pooled lots. An exception would be at special sales where livestock is received the day before the sale. Here the over-filled animals should be held separately until the excess is lost.

Handling and Selling Pooled Livestock

Pooling lends itself to the use of certain handling and selling practices which will help improve the efficiency of the operation, reduce livestock losses, and make the market agency better able to serve consignors and buyers. These practices are now discussed.

Adjust Size of Pooled Lots to Buyers' Needs

The size of pooled lots should be regulated by the market agency—within its limited power to do so—to meet the needs of the maximum number of buyers. The needs of buyers can be established from a study of their purchases at previous sales and the management's knowledge of their activities. Lots can then be regulated to some extent to meet buyers' needs by adjusting the sorting and grading standards for each lot. In doing this, it is important to maintain uniformity within each lot.

In many areas small buyers make up a considerable part of the buying competition for single-ownership livestock. A pooling operation should provide for the needs of small as well as large buyers in order to give farmers maximum returns from their stock. This may be accomplished by selling some livestock in single-ownership lots or by any other means which would be equitable to both farmers and buyers.

In areas where dairying is important, single dairy heifer calves are often in great demand and will usually bring a higher price when sold for herd replacement purposes. Under such circumstances, market agencies should hold the better heifer calves out of the pooled lots and sell them singly.

Sell in Pens Where Feasible

All livestock shrink when moved and there is danger of bruising, crippling, and even death loss, especially with hogs in hot weather. In addition, it is much easier, faster, and less expensive to move a few buyers from pen to pen or sell the stock from a pen sheet in the sales pavilion than it is to move large pens of livestock through the ring. Buyers like to handle certain species—lambs particularly—at the time of sale in order to determine quality, so pen selling is especially advantageous here.

Pen Similar Livestock in the Same Pens Each Week

Putting similar livestock in the same pen each week is a real advantage to the buyer.

This auction sells pooled hogs in the pens, thereby saving time and expense and reducing the danger of loss from bruising, crippling, and death. Pen selling is also used for lambs and is recommended for other livestock whenever feasible.

As long as the grader does a good job, the buyer needs to know only the pen number and the number of head in each pen in order to fill his needs with a quality of product he can depend on.

Expanding Livestock Pooling

This report shows that livestock pooling in the United States is concentrated in only a few States. In many other sections, conditions are right for the setting up of pooling operations. The areas that would benefit most and would be best adaptable are those where total production of a certain species is fairly large but stock is marketed in small lots. Large stockmen benefit from pooling but it is especially useful to the smaller producer.

Cooperatives are organized and operated for the benefit of producers and, as an off-farm segment of the producer's farm business, should be conducted as efficiently as possible. Pooling offers opportunities to increase efficiency and give producers maximum returns from their livestock. Its many advantages far outweigh the disadvantages.

Cooperatives have long been pace setters in adopting new and improved marketing methods and practices. While they have led in some areas in adopting the pooling method of handling livestock, they have done little in other areas. If cooperatives continue to set the pace, they will need to make use of this improved marketing procedure whenever conditions make it feasible. This will benefit non-member producers as well as cooperative members by encouraging other market agencies to initiate pooling operations.

Appendix - Research Procedure

The authors interviewed market agencies in seven States where most of the pooling was done. These are the States of Georgia, Kentucky, Missouri, Ohio, Tennessee, Virginia, and West Virginia.

We attempted to interview one-half of the agencies pooling each class of livestock except feeder pigs in each of the seven States. Because of their small number, all agencies pooling feeder pigs were considered. The sample was selected at random based on the combination of classes of livestock pooled. In some cases the number actually interviewed varied a little from 50 percent because we found a few discrepancies from the original list when we got into the field.

Appendix table 1 shows the number of agencies in each State of the seven-State area that were pooling each species of livestock, the number of agencies interviewed, and the size of the sample. This latter figure is the factor used to expand sample data for estimating the total volume pooled.

We used a set of six questionnaires to get pooling information in the seven personal-interview States. A general questionnaire covered the agency's overall operations. Through separate questionnaires designed for each class of livestock, we secured detailed data for the specific class or classes each agency pooled.

We mailed questionnaires to 213 marketing agencies in the other States. We sent second and third requests for information at 10-day intervals to those agencies failing to respond to the first request. Of the 187 questionnaires returned, 149 were usable. These represented market agencies operating in 26 States. The unusable questionnaires were those sent to agencies which had gone out of business entirely or didn't operate in 1959.

Appendix table 1.--Number of market agencies pooling livestock, number interviewed, and size of sample in 7 selected States, 1959

State	Stocker feeder cattle and/or calves	Veal calves	Hogs	Feeder pigs	Lambs[1]
Georgia					
Number pooling	4	0	48	1	9
Number interviewed	3	0	26	1	6
Size of sample	75.0%	0.0%	54.2%	100.0%	66.7%
Kentucky					
Number pooling	15	51	39	8	27
Number interviewed	9	25	20	8	13
Size of sample	60.0%	49.0%	51.3%	100.0%	48.1%
Missouri					
Number pooling	36	0	0	21	0
Number interviewed	18	0	0	20	0
Size of sample	50.0%	0.0%	0.0%	95.2%	0.0%
Ohio					
Number pooling	6	11	19	2	22
Number interviewed	3	6	9	2	11
Size of sample	50.0%	54.5%	47.4%	100.0%	50.0%
Tennessee					
Number pooling	14	44	36	12	31
Number interviewed	7	23	22	11	15
Size of sample	50.0%	52.3%	61.1%	91.7%	48.4%
Virginia					
Number pooling	31	21	27	3	33
Number interviewed	17	10	16	3	18
Size of sample	54.8%	47.6%	59.3%	100.0%	54.5%
West Virginia					
Number pooling	23	20	2	0	29
Number interviewed	11	11	2	0	15
Size of sample	47.8%	55.0%	100.0%	0.0%	51.7%
Total 7 States					
Number pooling	129	147	171	47	151
Number interviewed	68	75	95	45	78
Size of sample	52.7%	51.0%	55.6%	95.7%	51.7%

[1]Includes a small proportion of slaughter ewes.

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