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FEEDER CATTLE POOLING

IMPROVED MARKETING THROUGH GRADING AND COMMINGLING

By Ira M. Stevens and John T. Haas

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE

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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.

This study was conducted under authority of the Agricultural Marketing Act of 1946 (RMA, Title II).

Contents

Summary

Feeder cattle pooling is a relatively recent marketing development. Over 70 percent of the sales operating in 1959 were started during the 1950's.

While the more than 300,000 head sold in pooled lots in 1959 represented only a small proportion of total feeder cattle marketings, the trend in number of cattle being sold by this method is definitely upward. In some States, such as Virginia and West Virginia, pooling is now a major marketing method.

Pooling is a procedure in which stockmen bring their cattle or calves to a central location where they are individually graded, weighed, and penned in lots with similar animals of other stockmen.[1] They are then sold in these uniform lots.

Farmer Cooperative Service has been making a study to determine if pooling would help livestock producers solve some of their marketing problems. This is one of a series of publications based on that study.

We found much evidence that pooling feeder cattle increases prices, reduces marketing costs, and improves net returns to producers. Livestock producers, marketing agencies, and groups interested in improving the economic position of farmers therefore might find it worth while to investigate this method of handling feeder cattle.

In 1959 more than 60 percent of all pooled sales were organized as cooperatives. Most of the other sales agencies also were nonprofit organizations set up and controlled by farmers. However, successful pooled sales have been conducted by regular auction markets and terminals, as well as these special sales agencies.

Four of every five pooled sales in 1959 were conducted as special sales, set up solely for feeder livestock. While less than one in five was conducted by a regular auction, nearly all sales used the auction method. Most of the special sales agencies held only one sale per year; most of the auctions from one to four.

The first feeder cattle pool was held at a Nevada Indian Reservation in 1925. In the early 1930's, the West Virginia Extension Service sponsored demonstration feeder calf sales to promote improved breeding, management, and marketing practices. From there pooling spread to the Southeast. It is now concentrated mostly in Virginia, Missouri, West Virginia, Kentucky, Tennessee, North Carolina, Ohio, Arizona, Arkansas, and Indiana.

Steps in handling cattle for a typical pooled sale included vaccinating and inspecting cattle at farm, receiving at sale yard according to a prearranged schedule, tagging, grading, weighing, penning with like cattle from other owners, selling, settling with buyer, and loading out.

[1]Mixing of ownership is also referred to as commingling.

Grading ordinarily was done by trained personnel from public agencies such as the State Department of Agriculture and the Cooperative Extension Service. Some sales agencies, particularly auctions, used their own employees.

Some sales followed closely the official USDA feeder cattle grades, others used a modification of these grades, and still others used no specific grade designations. About half the sales using grades marked them on the cattle. To keep animals uniform within each lot, management usually set up weight ranges of 50 pounds for calves and 75 or 100 pounds for heavier cattle.

Most market agencies contacted for this study thought lots should contain not less than 10 head or more than 30 for best results. Many agencies considered 500 head a minimum for a successful pooled sale, others thought this too small a number.

At most sales, buyers were seated in a sales pavilion and the cattle were brought into the ring and sold by auction, one lot at a time. In a few cases cattle were sold in the pens. This worked out satisfactorily and may be worth investigating by more agencies.

The most common order of selling was to begin with cattle that would bring the highest prices and work from there to those that would sell for the lowest prices. Most agencies did not permit a buyer to split a lot.

An average of 30 buyers bought cattle from each pooled sale. They represented 5 States and bought an average of 34 head each. Out-of-State buyers including farmers took 56 percent of the cattle. In-State and out-of-State farmers together bought 70 percent.

The average market in the seven-State area studied handled about 800 head of cattle, divided into 84 lots per sale. Selling time ranged from 20 minutes to over 8 hours and averaged 2 hours and 52 minutes a sale. The average sale lot contained 12 head consigned by 7 producers and took 2 minutes to sell. Selling time saved by pooling was estimated to be 15 hours a sale.

All market agencies interviewed believed that pooling increased prices and all except two thought that it also reduced their operating costs. Most agencies reported an average increase of $2 to $3 a hundredweight and this was borne out by studies of feeder calves sold through pooled sales and regular market outlets in Virginia.

Another important benefit of pooled sales is their influence on the level of feeder cattle prices throughout the area. Evidence gathered in the field leaves little doubt that this relationship exists.

Feeder cattle pooling is now concentrated in a relatively small number of States. However, there are good opportunities for it to expand to other areas, particularly those where many small producers market a large total volume.

Some parts of the West seem to be especially well adapted to pooling. These include grazing districts where several stockmen run their cattle together and use the same bulls. Some areas of the West have had feeder cattle sales for several years but these have been mostly for the larger stockmen and there has been no pooling. These sales might be changed to pooled sales and expanded to include smaller producers.

A statewide study supported by stockmen in the area is advisable before any new pooling program is set up. If results of this study are favorable, a feeder cattle pooled program might be developed under any of several types of organization.

If feeder cattle pooling is to be expanded to new areas, it is desirable to set up the program on a statewide basis. An established livestock marketing cooperative could well take leadership in getting this program under way. If no cooperative is available, stockmen can work through their local and State cattlemen's association with help from public agencies.

The State Department of Agriculture can grade the cattle. Farm organizations can enlist cooperation from their members and help raise the needed initial capital.

Auctions and other markets may be able to furnish facilities. These established markets also have experienced personnel, management, buyer contacts, and marketing background. The newly formed sales agency might negotiate a contract providing for the established market to handle its sales, including receiving and disbursing all funds.

We feel the advantages of pooling should not be limited to patrons of a particular type of sale or producers of only a specified quality of cattle. We recommend pooling all feeder cattle, regardless of grade, if there are enough of a given kind to make up an attractive package.

Preliminary observations have indicated that pooling slaughter cattle also offers real advantages to producers and buyers.

Feeder Cattle Pooling

Improved Marketing Through Grading and Commingling

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Stockmen have always been faced with a problem of marketing their cattle most advantageously. Small producers, particularly, are handicapped by their weak bargaining position.

In some areas, stockmen have found feeder cattle pooling an effective way to improve their bargaining position. Many groups have organized cooperatives to carry out this program. Under this system, producers bring their stock to a central location where each animal is graded, weighed, and penned in a lot with similar animals from other owners. These pooled lots then are sold, usually by auction to the highest bidder, and each stockman is paid for the weight of his animals at the price received for the pooled lot.

Farmer Cooperative Service has conducted an overall study on livestock pooling in the United States. This is one of a series of publications on the subject. The first, issued in December 1961, was FCS Marketing Research Report No. 510, "Livestock Pooling -- Improved Marketing Through Grading and Commingling." Separate reports, such as this, will cover pooled sales of feeder pigs, market hogs, veal calves, and lambs.

Feeder cattle sales have been held in several areas for many years. Agencies sponsoring special feeder sales usually have graded and penned the livestock in lots of commingled ownership before offering it for sale.

Some areas have special sales in which cattle are sold in individual-ownership lots. However, this report is directly concerned only with those where commingling is an essential part of the sales procedure.

Ultimate objectives of this phase of the study were to improve feeder cattle pooling practices and to extend this method of marketing to other areas. Immediate objectives were to secure information from agencies pooling feeder cattle that indicate their procedures, problems, and solutions. These have been studied and analyzed and recommendations developed which will contribute to the long range or ultimate objectives.

We secured data from two major sources: (1) Personal interviews at market agencies in seven States[2] where most of the pooling is done, and (2) mail questionnaires from market agencies grading and pooling feeder cattle in the other States.

In the 7-State area, we attempted to interview a minimum of 50 percent of the managers of agencies pooling feeder cattle in each State. We sent questionnaires to the entire list in all other States. Altogether 68 personal interviews and 51 mail schedules, a total of 119, were used in the analysis. Of these 119 agencies, 72 were cooperatives.

Development of Feeder Cattle Pooling

Feeder cattle and calves are young stock of varying weights ready to be put on a concentrated ration and finished for slaughter. Stocker cattle and calves are usually lighter animals that are grazed for a period on pasture before being fed out for slaughter or kept for the breeding herd. In this report the term "feeder cattle" will be used in the broader meaning to cover stocker and feeder cattle and calves.

Although a few feeder cattle were sold in pooled lots as long as 30 or 35 years ago, for the most part feeder cattle pooling has been a recent development.

Early Development

The first cattle pool we have record of was held at an Indian reservation in Nevada in 1925. The procedure spread to other reservations and now is common practice at most of them.

Indian stockmen run their cattle in common on tribal range lands. In the fall, at market time, they bring all their stock into central corrals and sort it by brand as to ownership. Then the stock is weighed, graded, and commingled again--this time into pen lots of uniform animals. Attractive packages can thus be made up; the pooled sales then usually draw good competition.

Outside of this Western area, West Virginia was the pioneer in setting up feeder cattle pooling operations. Demonstration feeder calf sales, to show stockmen the value of improved breeding, management, and marketing practices, were first held during the early 1930's. These were organized first under direction of the West Virginia Agricultural Extension Service and later were established in other States.

About the same time (early 1930's) certain auction markets in West Virginia began grading and pooling feeder cattle and calves. These sales differed from the demonstration sales in that the regular local auction markets directed the sales and the State Department of Agriculture did the grading.

The next development in feeder cattle pooling came in Tennessee and Virginia later in the 1930's. In these States the Agricultural Extension Service and the State Department of Agriculture worked closely together in helping producers and their associations set up demonstration sales similar to those in West Virginia.

[2] Georgia, Kentucky, Ohio, Missouri, Tennessee, Virginia, and West Virginia.

Dry cows are sold at a pooled sale at an Indian Reservation, Mescalero, N. Mex. Some reservations in the West have successfully sold cattle in pooled lots for 35 years.

A number of other States started feeder cattle pooling programs during the 1940's and those in Virginia and West Virginia became stronger. However, the most rapid growth has been since 1950. Of the agencies contacted in the study, 83 began operations during the 1950's. This compares with only 25 starting during the 1940's and 10 before 1940. Table 1 shows these data.

A closer look at all feeder cattle pools now operating in the United States reveals some comparisons and contrasts.

Present Status

More than 300,000 head of feeder cattle and calves were estimated to have been sold in pooled lots in the United States in 1959.[3] These were sold in 21 States, 10 of which handled over 90 percent of the volume.

The 10 leading States, in order of number of pooled cattle sold, were: Virginia, Missouri, West Virginia,

[3]This figure was obtained from the actual volumes reported on the mail questionnaires and an expansion of the volumes secured in the personal interviews based on size of sample.

Table 1. - *Number of market agencies starting feeder cattle pooling operations, by 10-year periods*

Location	Number of agencies starting pooling				
	No answer	Before 1940	1940-49	1950-59	Total
7-State area	1	4	15	48	68
Other States	-	6	10	35	51
Total, United States	1	10	25	83	119

Kentucky, Tennessee, North Carolina, Ohio, Arizona, Arkansas, and Indiana. Other States reporting some feeder cattle pooling were Georgia, Illinois, Iowa, Maryland, Michigan, Nevada, New Mexico, Pennsylvania, South Carolina, Washington, and Wisconsin.

Figure 1 shows the location of feeder cattle pooling agencies operating in the United States in 1959.

Volume Pooled

Since figures are not available on the total number of stocker and feeder cattle and calves marketed in the United States each year, the proportion pooled cannot be calculated. It is not large; however, it does represent a substantial proportion in certain States such as Virginia and West Virginia.

We did not examine the past records of agencies contacted to determine trends of volume handled in pooled lots. However, we did ask market operators to compare their volume during recent years with that of 10 years ago, or when they first began operations, if less than 10 years ago. Had it increased, decreased or remained about the same? Well over three-fourths of the agencies reported a trend of increasing volume. Another 17 percent indicated the numbers pooled had remained about the same. Only 5 percent reported declining volume.

Type of Agencies Pooling

More than four of every five agencies pooling feeder cattle were organized as special sales; less than one in five was conducted by a regular auction. This varied by State and region. In the seven-State area about three-fourths were special sales; only one-fourth auctions. Outside this area less than one-tenth were auctions (table 2).

Probably a major reason for special sales handling most of the pooled feeder cattle is the seasonal nature of feeder cattle production. Most stock come off grass ready for the feedlot within a relatively short period in the fall. Consequently, one or two well-planned sales can handle the bulk of the feeder cattle and calves produced in a given area.

In contrast, hog and veal calf production and marketing are spread more evenly over the year. Therefore, practically all pooling of these species is handled at regular weekly auctions.

Operating a successful pooled feeder cattle sale may require considerable additional capital investment for facilities. An extra scale or relocation of the present scale may be needed as well as special sorting and grading facilities and often extra pens. In addition, much more planning and work are essential. Some auction markets have concluded that this work and expense is not warranted for only one or two sales a year. In several States special sales have been set up to handle these seasonal marketings and coordinate them on a statewide basis.

Type of Ownership

Most of the market agencies pooling feeder cattle were cooperatives. This varied some by area and type of sale. More than 70 percent of the special sales were cooperatively organized. Another 18 percent were listed as "other." ("Other" includes membership organizations of various types that were not incorporated as cooperatives.)

Figure 1

Auctions and Special Sales Agencies Pooling Feeder Cattle in the United States, 1959

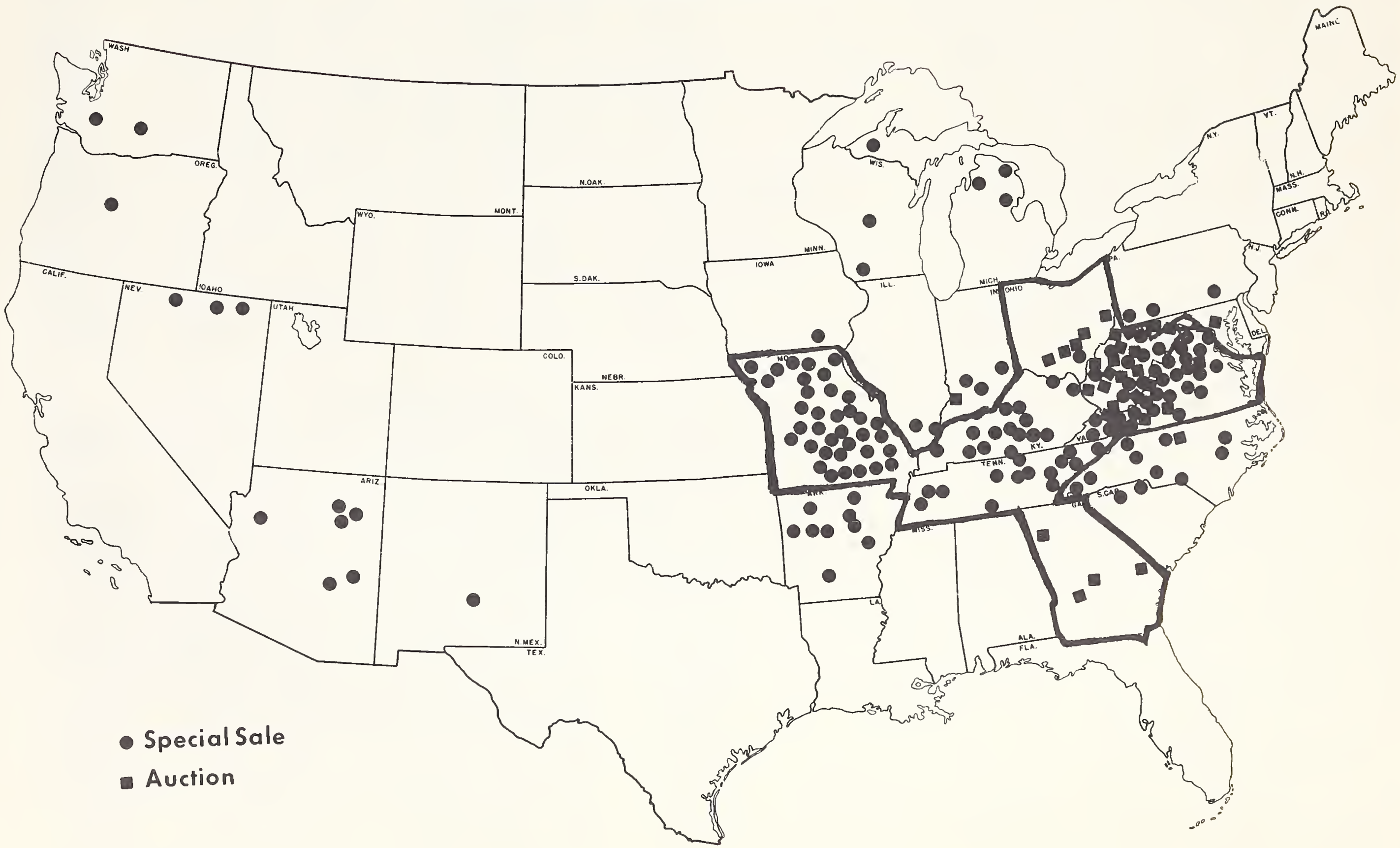


Table 2. - *Number of feeder cattle pooling agencies contacted in the United States in 1959, by type of ownership and type of agency*

Type of agency	Number of agencies		
	Seven-State area	Other States	Total
Auction			
Individually owned	1	-	1
Partnership	2	-	2
Corporation	12	2	14
Cooperative	2	2	4
Total auction	17	4	21
Special sale			
Corporation	2	10	12
Cooperative	36	32	68
Other	12	5	17
Total special sale	50	47	97
Both auction and special sale			
Individually owned	1	-	1
Partnership	2	-	2
Corporation	14	12	26
Cooperative	38	34	72
Other	12	5	17
Total	67	51	[1]118

[1]This number is one less than the total schedules analyzed because one agency at a terminal market was neither an auction nor a special sale.

The remaining 12 percent indicated they were organized as straight corporations. A number of these were livestock associations used by members who often ran their cattle on a common range, bought their bulls together, and performed certain other production practices jointly.

Actually there was only a fine line of distinction between the special sales agencies referred to by respondents as cooperatives, the straight corporations, and those designated as "other." For the most part, all special sales were set up and operated rather similarly. They were usually nonprofit organizations owned and controlled by farmers. Some were and some were not incorporated under cooperative laws of the State, but very few had all the characteristics of a full fledged cooperative. For example, few paid any patronage refunds. Rather, they anticipated very closely their costs of operation and set selling charges to just cover these costs.

Relatively few feeder calf sales were handled by regular auctions--only 21, or about one-sixth of the total. Of these 21 auction-sponsored sales, 14 were corporations, 4 were cooperatives, 2 were partnerships, and 1 was individually owned.

Sales Per Year

Well over half the feeder cattle sales agencies held only one sale per year.

About one-fifth held two sales; one-eighth, three; and only one-tenth, four or more. This varied by type of sale, with 38 percent of the auctions but only 4 percent of the special sales agencies holding four or more sales. On the other hand, nearly two-thirds of the special sales agencies held only one sale, whereas only one-third of the auctions held just one (table 3).

A reason for this might have been that a few pooled sales in the fall could often be included in a regular auction sales program without excessive cost. For special sales agencies, costs and efforts usually were greater, so they held fewer but larger sales. Also, feeder cattle marketing is seasonal so most of the cattle can be handled in one or two sales.

Table 3. - *Proportion of auctions and special sales agencies holding various numbers of sales, 1959*

Type of agency	Number of agencies	Percent of agencies by number of sales held				
		1 sale	2 sales	3 sales	4 or more sales	All sales
Auctions	21	33	24	5	38	100
Special sales	98	63	19	14	4	100
Total	119	57	20	13	10	100

Operation of Pooled Sales

This section describes handling methods used at different types of sales, how the sales were conducted, characteristics of sale lots, selling time required, and nature of buying competition.

Handling Methods and Sale Procedures

Methods of handling cattle before the sale and selling procedures varied in some respects from one sale to another. However, they were similar in important essentials.

Handling Steps at a Typical Sale

The steps in handling a consignment of calves at a typical feeder calf sale in Virginia are:

1. In late summer, a month or so before the sale, an inspection team appointed by the sales agency inspects the calves at the farm to make sure a registered beef bull is being used and the calves are out of beef-type cows.

2. Ten to 30 days before the scheduled sale date all consigned calves are vaccinated at the farm for blackleg and shipping fever. Heifer calves are vaccinated for brucellosis between 4 and 8 months of age. (See appendix exhibits 1 and 2 for examples of rules and regulations and an inspection and vaccination form.)

3. Early in the morning of the day before the sale, trucks begin arriving at the unloading docks. They come according to a prearranged schedule to avoid long periods of waiting in line.

4. Members of the receiving committee check the calves to see that they correspond to those inspected at the


A stockman unloads feeder calves from his farm truck at a Virginia pooled sale, then returns home and comes back with a second load. Arrivals are scheduled in advance to prevent long waits.

consignor's farm. They also check the health papers to make sure all calves have been vaccinated as required.

5. Calves are counted as they come off the truck and a dock ticket is made out showing the owner, number of head, breed, and sex.

6. Calves go to a tagging chute where they are identified, usually with a hip tag and sometimes with a metal ear tag which bears the words "Virginia feeder calf sale," and a symbol indicating the individual sale location. (This metal tag may have been put on the calf at the farm at the time of inspection a few weeks earlier.)

7. From the tagging chute, calves go to a pen where they are graded by a team of two Virginia State Department of Agriculture graders. Large sales may have two grading pens, side by side, each with a two-man grading team.

Graders use special paint to brand grades on all calves. They also check carefully for horned cattle, bulls, and stags and for any condition that would make the animals unmerchantable. Any calves not meeting the health, weight, quality, or grade requirements are branded with a rejection mark, reloaded onto the truck that brought them in, and removed from the yards.

8. After tagging, all accepted calves are weighed individually and their weight, grade, breed, and sex, together with hip tag or other identifying number and the name of owner, are recorded on a consignor's sheet.

9. Calves are then penned in uniform lots based on grade, weight, breed and sex. The assigned pen number is added to the consignor's sheet.

10. After all calves have been received and grading is completed, a pen sheet is made up for each pen showing the name of each consignor, and the number, grade, sex, breed, and weight of his calves. A summary of these data, indicating total

number in the pen and average weight, is placed on a card and attached to the pen gate for the benefit of prospective buyers.

11. A sales order schedule is made up showing order in which lots will be sold. This schedule is mimeographed so each prospective buyer can have a copy.

12. When the sale starts, calves are brought into the ring a lot at a time and sold by auction to the highest bidder.

13. Calves are repenned in the same pens.

14. Account sales are made up for buyers.

15. Buyer or agent and market agency make a final check on cattle in pens. If lot has been split and sold to more than one buyer, each buyer takes his share, determined by a gate cut.

16. Buyer pays market agency for calves bought.

17. Calves are loaded onto buyer's trucks.

Variations in Handling Methods

The steps at other calf sales may vary from those in Virginia but in general the procedure is similar.

Some agencies do not require that heifer calves be vaccinated for brucellosis at the farm before the sale. This is done when they are received at the market.

Grading procedures vary widely. At some West Virginia special pooled sales, for example, calves are only roughly sorted as they arrive, mostly according to weight, sex and breed. The actual grading by quality standards is deferred until all calves have been received, at which time the presorted groups are shaped up into final sale lots. Grade marks are not used.

The practice in Missouri is different again. Here no grades or weight groups as such are used for sorting, but cattle are sorted into uniform lots by size and quality as well as sex and breed. Thus, attractive packages can be made up, even without specific grades or weight groups.

All agencies tag the animals for identification, weigh individually or by individual ownership groups, and commingle into pens of uniform animals. However, these steps, too, are performed somewhat differently at various markets.

Tagging is often done immediately after unloading in a specially designed

Cattle are usually identified for ownership in a pooling operation. Here both ear tags and hip tags are used, although either alone is usually considered sufficient.

tagging chute adjacent to the unloading dock. If such a chute is not available, calves may be tagged on the truck before unloading. In other cases, tagging is done in a chute near the scales after grading has been completed and just before the calves are weighed.

The most common means of identification seemed to be hip tags--sometimes one, but often two, one on each hip. Ear tags are used instead of hip tags at times and frequently both are used.

Another variation of pooling methods is found in some areas of the West. An example is the program used at the Coleville Indian Reservation in northeastern Washington. This sale, organized as a cooperative under the name "South Ferry Corral Association," has been operating since 1957.

To start the operation, 5 acres of land were leased on a long-time basis at a nominal charge, the corral was built, and a scale installed at a total cash outlay of $3,225. Labor was all donated. Half the money was raised by local stockmen and the rest borrowed from a local bank.

The corral was originally built to accommodate 800 head of cattle and was 100 by 156 feet with 41 holding pens. Since that time it has been expanded to almost double its original size.

This pooling operation is different from many others in that cattle from different stockmen but of a given quality and approximate weight are sold at one price. This price is negotiated between the buyer or buyers and a committee of producers.

Holding pens of South Ferry Corral Association, Coleville Indian Reservation. Facilities were built in 1957 for a little over $3,000.

The procedure is as follows, according to County Agent Warren A. North: "A late summer meeting is called each year and all cattle producers in the area, whether they have 5 brood cows or 150, members or nonmembers, are notified. At this meeting a poll is taken of how many head of feeders will be available to go through the corral. Also an asking price range is agreed upon.

"Then the marketing committee swings into action. The committee contacts buyers and the buyers are invited to see the stock on the range. When buyers' prices become firm, another producers' meeting is held. At this second marketing meeting the producers accept the quoted price or withdraw from the pool. All who accept the price enter into a contract with the buyer.

"The association does its own policing to see that only cattle grading good or better are marketed. Marginal cases are left to the buyer's discretion."

Stockmen have "bent over backward" to see that only high quality cattle that would perform well in the feedlot were marketed through the association. This has resulted in a good relationship between stockmen and buyers with mutual trust and understanding.

Weight Groups Used

Feeder cattle pools in Missouri did not use specific weight groups in sorting cattle. This was true also at three sales in West Virginia and one in Kentucky. All the rest did.

Weight breaks at 50 pound intervals were used most extensively. Sales that handled heavier feeder cattle in addition to calves were likely to use 50 pound

Most cattle sold through pooled sales are marked with a paint-brand grade to indicate quality. Here is a lot of Good calves branded with a "G."

breaks for lighter calves and 100 pound breaks for heavier cattle, for example those weighing over 700 pounds. Some went up in three steps with the lighter weights at 50 pounds, medium weights at 75 pounds, and heavier ones at 100 pounds.

Grades

A fairly wide variation was found in grades used at pooled feeder cattle sales. Sales that used no specific weight groups had no grade designations either. These included all sales in Missouri, three in West Virginia, and one in Kentucky.

At the other extreme were the sales in Virginia and Georgia, where USDA grades and standards were used--Fancy, Choice, Good, Medium, and Common. About half of the Virginia sales, usually those handling only calves, did not sell the Common grade. These sales had set up their own standards with a lower limit of Medium. Some sales agencies were even working toward elimination of Medium. Fancy and Choice cattle were almost always sold together in Virginia even though they were graded and marked separately.

In Tennessee and at about half the Kentucky markets, only three grades were used--Choice, Good, and Medium. West Virginia sales used several grade designations, the most frequent being Fancy, Choice, Good, Medium, and Plain.

Ohio sales used similar grades--Choice, Good, and Medium. Most also added a grade of "Top Good," and some a grade of "Low Good."

Grade Marks

All special feeder cattle sales in Virginia and Georgia and most of those in Tennessee marked grade designations on the cattle. These marks were applied with paint and varied from the system of letters used in Virginia--AA for Fancy, A for Choice, G for Good, and line on shoulder for Medium--to that used in Tennessee where the grade was represented by a spot of paint at different locations on the animal--shoulder, Choice; loin, Good; hip, Medium.

Accurate grading is essential to a successful pooling operation. Here C. P. McClaugherty, former supervisor of livestock grading work, Virginia Department of Agriculture, places a grade on a Fancy steer calf.

Pooled sales in Kentucky and Ohio and those sponsored by auctions in Virginia and West Virginia did not mark any grade on their cattle. Considering all agencies where grades were used, almost half marked grades on the animals; slightly more than half did not.

Graders

State Department of Agriculture and State Extension Service personnel did the grading at most feeder cattle pools. More than 80 percent of the agencies used graders from one or both of these sources, with those from the Extension Service being used most. Frequently representatives from the two services worked together. This was true at most sales in North Carolina and Georgia.

Graders made up of committees of farmers sometimes worked with Extension Service representatives or State Department of Agriculture personnel. Examples of this were found in Arkansas and Missouri.

Market employees who had received special training in livestock grading were often used when sales were conducted by regular auction markets. West Virginia is an example.

The State association of livestock producers that sponsored the special feeder cattle sales in some States hired graders who had been trained by livestock specialists at the State College. This was the case at most Kentucky sales.

Agencies in Virginia used personnel of the State Department of Agriculture most extensively. All special feeder cattle sales were graded by these men. This was true also at sales in West Virginia that were sponsored by the auction markets. However, at the West Virginia demonstration sales most of the grading was done by trained personnel from Extension Service, with help in some cases from the State Department of Agriculture.

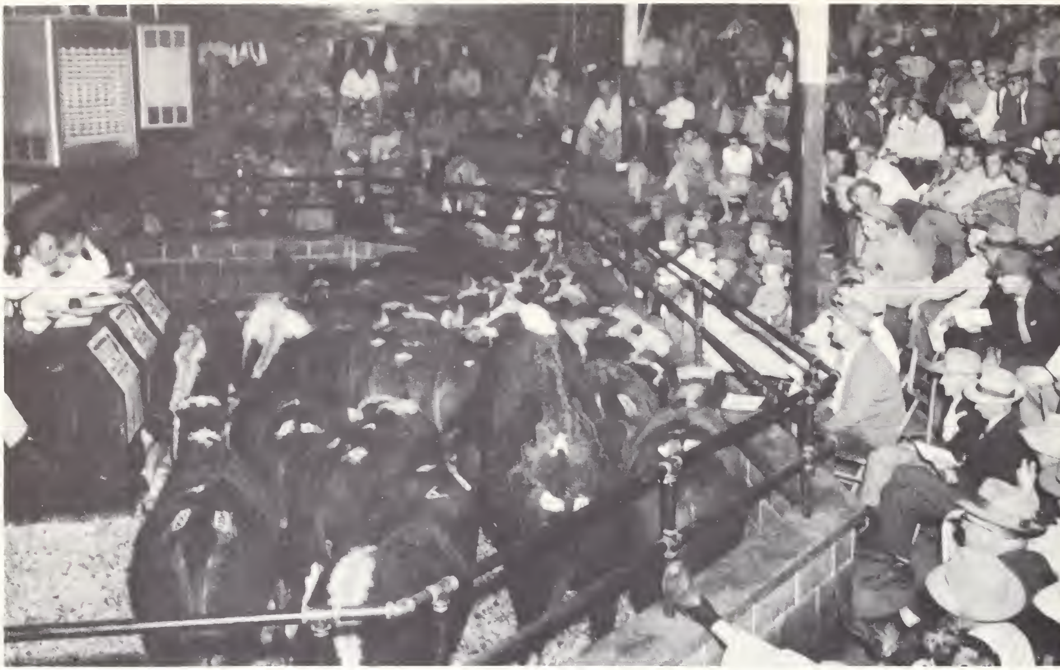
State Extension Service men did the grading in some States when their feeder cattle pooling programs were new. Extension Service personnel usually played a major role in getting these programs under way, and planned to turn the responsibilities over to others as soon as possible. However, this did not always work out. When the State Departments of Agriculture could furnish graders and charge the market agency a fee sufficient to cover the cost, it worked very well.

Location of Buyers and Cattle at Time of Sale

The common procedure at feeder cattle sales was for buyers to be seated in a pavilion around the sale ring and for the cattle to be brought in and sold, one lot at a time.

However, the sale ring was not always large enough to hold the entire lot. In these cases the ring would be filled and the auctioneer would start selling. After buyers had an opportunity to see the animals well and the bidding had progressed several steps, the out gate would be opened and the animals would begin to move into the alley. The rest of the cattle in the lot would then move through the ring and out. All the while the bidding would continue. This procedure allowed buyers to see all animals in the lot before making their final bid.

In a few cases we found that only part of the cattle in a lot were brought into the ring. For example, if two pens were



Cattle are sold by auction to the highest bidder. Special sales agencies often contract with local auction markets to use their facilities.

required to hold a lot, only one pen might be brought in.

At some of the Indian Reservation sales and a few others feeder cattle were sold in pens. Since these sales have worked out satisfactorily, pen selling may be worth considering by groups hesitating to start a feeder calf sale because of the facility cost. However, this probably should be only a temporary arrangement in areas where large numbers of buyers are present.

Method of Sale

As indicated above, the auction method was used almost exclusively. However, at one Nevada Indian Reservation part of the cattle were sold by sealed bid. One Arkansas sale also sold part of their cattle by private treaty, with the price negotiated between the market agency and the buyer.

It was common practice at some sales for buyers who could not attend to telephone their orders in to the sales management or a local order-buyer and pay a commission for this service. Orders received by the sales management often were turned over to a local order-buyer.

Splitting Lots

In five of the seven States, market agencies reported that the buyer had to take the entire lot if the bid was awarded to him--lots could not be split. At 10 sales in Virginia and 1 in Georgia, however, management allowed the buyer to take only part of the lot if he did not want all of it.

This procedure seems to have been initiated for the benefit of the small buyer. It does not mean, however, that agencies in the five States that did not allow splitting were discriminating against the small buyer. At most of these sales, variations in the quality and weight of cattle received were sufficient to insure enough small lots to satisfy the needs of all buyers.

One market agency indicated it did not worry much about the small buyer, implying that the consignor would net more if cattle were sold to large buyers.

When a buyer was allowed to split a lot, the agency usually imposed certain restrictions. Some agencies required a minimum of 20 head in the lot that was to be split. The buyer must take at least 10 head but he also must leave at least 10. The cut was sometimes made from the pen sheet, rather than a gate cut. Thus, if a man who bid highest on a lot of 35 head wanted only 15, the first 15 received and placed in the pen would be sorted out, using the hip tags to identify these cattle. At the larger sales, a straight gate cut was usually made when lots were split.

The 11 agencies that allowed their pooled lots to be split were asked whether the price of the second cut was usually higher or lower than the price of the first cut. Nine reported it to be lower; only two, higher.

Market agencies should determine if there is a real demand for the smaller lots before allowing lots to be split. If they find that it is not necessary to split lots to accommodate the needs of small buyers but that some buyers are using this means to buy cattle at lower prices, splitting should not be allowed.

Sale Order

Sale order varied from one area to another. Within each area, however, there was generally quite a bit of uniformity.

The most common order of sale was to start with the highest grade and lightest weight of steer calves and work from there to the heavier steers in that grade. After the best grade had all been sold, the next grade would follow, again starting with the lightest steer calves and progressing through to the heaviest. Next, the highest two grades of heifer calves would be sold in the same manner as the steers--from light to heavy. Medium grade steers and heifers would follow. If there were two major breeds, usually they would be alternated, lot by lot.

Sale management felt that beginning the sale with the highest priced calves helped establish a better base price to work from in selling other lots. Also the best calves usually were in larger lots. If these were sold first, a buyer might get part of a load and then fill out from smaller lots that would be sold later.

A frequent variation in this sales order was to start with calves a little heavier than the lightest ones in the grade, proceed to the heavier calves, and then go back and sell the light ones.

At some sales in Missouri where definite grades were not used in the sorting process, calves of a certain size, usually the lightest ones, would be sold first. Within this size group the highest quality steer calves would be offered first with progressively poorer quality steer calves following, until that size was all sold. Then the next larger size calves would be sold, following the same pattern of best to poorest quality.

A few market agencies recommended starting with something less than the best quality calves. Their reason was that this gave buyers a chance to "warm up" before bidding on the best offering.

Some Cattle Sold Singly

Of the 68 agencies interviewed, 43 indicated all cattle handled were sold in pooled lots. The remaining 25 said part of their cattle were sold singly or in single-ownership lots. The main reason given for selling some singly was that odd lots might come in that would not fit into any grade. Some agencies accepted these odds and ends and sold them separately. Other agencies turned them down.

Some sales with smaller volume may not have had enough of a given weight class, grade, sex, and breed to make up a lot. Thus, a lot might have only one animal which, of course, would be sold separately.

This producer markets his feeder cattle through a special sale where they are graded and packaged with similar cattle from other stockmen for pooled selling.

At a few sales, consignors requested that their cattle be sold separately. Most sales did not allow this but some did. Several auction markets indicated they sold some larger consignments of cattle in individual ownership lots because it saved sorting time.

We asked whether singles were sold before or after pooled lots at the markets that sold some cattle singly. Two-thirds sold the singles after the pooled lots. One agency sold all single calves before pooled calves. The rest sold some before and some after.

The most important reason given for selling all single animals after the pools was that the single-ownership lots were usually of lower quality and lower values. Also, it was felt that at a pooled sale, preference should be given to selling the pooled lots. One agency said selling the singles and small lots last allowed buyers to fill out their loads.

A few markets had a practice of handling a small number of unusually high quality calves for members of 4-H Clubs or Future Farmers of America Chapters to buy for their projects. These, of course, were sold singly and usually at the beginning of the sale. The reason they were sold first was to set prices to be used as goals--to set the tone of the sale.

Usually when some cattle were sold singly before and some after the pooled lots, the quality of the cattle in single lots was about as good as that in the pooled lots. In these cases, the main explanation given for selling some before and some after was that the market wished to sell cattle of the same weight and grade together. Other reasons were that the market wished to sell in the order of delivery, to please buyers, or so that it would be fair to all.

Characteristics of Sale Lots and Sale Size

This section describes the number of lots per sale, number of head and consignors per lot, minimum and maximum number recommended per lot, volume handled per sale, and the number needed to start a sale. This information should be useful to agencies or groups interested in setting up a feeder cattle pooling program because it shows what operating agencies are now doing.

We have usually reported the range of largest to smallest as well as the computed average size or number. In planning a new program, goals probably should be above the averages shown here. It is usually the least successful agencies that have fewer lots per sale, head per lot, head per sale, and so on.

Lots Per Sale

The average market agency in the 7-State area handled 84 pooled lots per sale. However, there was a wide variation between sales. One small auction in West Virginia had only 5 lots; a large special sale in Kentucky had 183. Only one-seventh of the agencies handled less than 50 lots per sale, whereas over half handled between 50 and 100 lots, and one-third handled over 100.

These numbers of sale lots may seem large, but you need to remember that there are often two major breeds represented, two sexes, three grades, and at least seven weight groups. If some cattle were represented in each category, there would be 84 sale lots (2x2x3x7 = 84).

Consignors Per Lot

To see how effective the pooling program was in combining similar animals from different producers into attractive packages, we asked market agencies to estimate how many producers had cattle in their average sale lot. The average for all agencies interviewed was seven. Again this varied quite widely, from 2 at one sale in Missouri to 20 at one in Tennessee.

In Missouri there were usually 4 or 5 consignors to each lot; in Ohio and Tennessee, about 11; and in Kentucky, Virginia, and West Virginia, about 7 or 8. Only one of the three sales in Georgia reported its average number of consignors per lot. The figure was three.

Cattle Per Lot

The average pooled lot was estimated to contain 12 cattle. This ranged from 4 at a small West Virginia sale to 38 at a large sale in Virginia. This does not mean that there were no lots larger than 38 at this particular sale. Many lots would be larger, some perhaps considerably so, as well as some smaller. But the average lot size was 38. A recent sale at Winchester, Va. sold a number of lots of over 60 head each.

About 30 percent of the agencies interviewed averaged less than 10 head per pooled lot. About twice that many, nearly 60 percent, had an average lot size of 10 to 20 head, and in the remaining 10 percent the average was more than 20.

Lot Size Suggested by Market Agencies

Market agencies were asked to indicate the smallest and largest number of cattle

A committee with livestock experience can do an effective job of sorting cattle into attractive lots. Here calves are sorted by size and quality but no grade mark is used.

they thought should be sold in a pooled lot. The most frequently mentioned minimum was 10 head. One-third of all agencies gave this number. Well over one-third suggested less than 10 and about one-fourth suggested more than 10, ranging up to 25 at 2 agencies.

Thirty head was the most frequently mentioned maximum number to be sold together in a pooled lot. However, almost as many agencies indicated 50 head. Together these accounted for half of the agencies interviewed. Another fourth suggested 20 or 25 head as the maximum. The remainder suggested other numbers, with 2 going as high as 100 and 1 suggesting there be no upper limit.

Even though the minimum number recommended for a pooled lot might be 10, in actual practice there will frequently be less than 10 in some lots because of the variation in individual animals received and the large number of lots into which they are divided.

It would be possible to increase the lot size by modifying grading standards and combining some grades or weight groups. We do not usually recommend this procedure because the less uniform packages would often net less money to producers and it would be particularly unfair to producers who had the better quality livestock in the lot. We recognize, however, that in some cases where lots are extremely small widening grades or combining weight groups may be necessary and actually beneficial to livestock producers.

Number of Cattle Per Sale

The average number of cattle sold per sale in the 7-State area was just short of 800 head in 1959. The range was from 121 in a West Virginia sale to 2,190 in one in Kentucky. One Virginia sale, not included in the sample, handled over 3,000. Again variation was rather wide. About 16 percent handled less than 500 head; 47 percent handled between 500 and 1,000; and 37 percent, over 1,000.

In general the volumes handled by the 51 agencies outside the 7-State area were not greatly different from those in this area. They averaged 885 head per sale, with a range from 60 to 2,518.

These figures of 800 to 885 head may be useful gauges for new agencies to use in setting a goal for their first sale.

Volume Needed to Start a Pooled Sale

Market agencies were asked the minimum number of cattle they felt would be necessary to start a successful sale in their area. As might be expected, the smaller sales indicated they could get by with considerably fewer cattle than the number suggested by the larger sales. The variation was quite wide.

Many agencies suggested 500 head as the minimum a market should be assured of before starting a pooled feeder cattle sale. This number was mentioned by 19 of the 68 agencies contacted. Another 19 agencies suggested some number less than 500 with one going as low as 40 head. Thirty agencies suggested more than 500, with 5 recommending as high as 1,000 head.

Missouri sales agencies generally suggested a larger minimum number than those in other States. Here it was from 600 to 1,000, with an average of more than 800 head.

Selling Time

One of the major advantages of selling in pooled lots is a saving of time and expense to the market agency and the buyer.[4] Market agencies were asked to estimate savings at their last sale in 1959.

Time Required Per Sale

The average selling time was 2 hours and 52 minutes. One small sale in Virginia took only 20 minutes, while a large one in Tennessee required 8 hours. About one-third of all sales took 2 hours or less; another third took between 2 and 3.5 hours; and the remaining third required longer periods, with 2 lasting more than 5 hours.

The average time required to sell one lot of feeder cattle at pooled sales varied from just less than a minute to 8 minutes, with an average for all sales of 2 minutes. Half the sales required between 1 and 2 minutes per lot, another 30 percent required between 2 and 3 minutes, and the remaining 20 percent took more than 3 minutes.

Time Saved by Pooling

Actual records were not available to show how much time might have been saved by pooling. However, market

[4]Stevens, Ira M. and Haas, John T., Livestock Pooling--Improved Marketing Through Grading and Commingling. Farmer Cooperative Service, U. S. Dept. of Agr., Mktg. Res. Rpt. No. 510, 1961.

This uniform package of Choice and Fancy Angus calves may have come from as many as 15 to 20 separate owners. Many hours are saved by selling pooled lots instead of individual-ownership lots. This means higher net returns to the stockman.

agencies estimated the number of individual consignments there might have been if the cattle had been graded but not commingled, also the time it might have taken to sell each of these individual consignments. From these data we computed an estimate of the time saved by pooling.

The average selling time for all pooled sales was almost 3 hours. If there had been grading but no pooling, the average estimated time would have been 18 hours. Thus pooling saved about 15 hours at the average sale.

On this basis, about 20 percent of the sales saved up to 5 hours; another 28 percent saved between 6 and 10 hours; 30 percent saved between 10 and 20 hours; and the remainder saved more than 20 hours.

It is unlikely, however, that anyone--buyer, seller, or market agency--would be pleased with a sale that operated continuously for more than 10 hours. The sales that would have required these longer periods if cattle had been graded but not pooled were those that had either an unusually large number of individual consignments or required an abnormally long time to sell each consignment. If the cattle had not been pooled, it would not have been feasible to hold these sales.

Buying Competition

Another advantage of a pooled feeder sale is that it attracts more buyer competition and this usually results in higher prices. A review of buying competition among the market agencies studied may be useful to other agencies now pooling or considering starting a pooling program.

Number Buying at Each Sale

Attendance of buyers did not seem to be a problem for the most part. No figures were available on the number of buyers that bid on cattle and hence helped establish satisfactory price levels. However, an average of 30 bought cattle at each sale--a range of 6 to 50. Only 7 sales reported less than 20 buyers; only 8, more than 40. The other sales that reported (49) had between 20 and 40 buyers at their sales.

Many sales did a good job of advertising to encourage attendance of buyers. Appendix exhibit 3 is an example of a handbill used by one agency.

Number of Head Bought by Each Buyer

The average number of head bought by each buyer at the different sales ranged from 14 to 100. Of course some buyers bought more than 100. Also some buyers undoubtedly bought less than 14 because that was the average number bought by all the buyers at one small sale. For all sales the average was 34 head.

At 10 sales the average was less than 20 head, at 34 sales it was between 20 and 40, and at 18 sales it was 40 head or more. The remaining sales did not report the number of head per sale.

States Represented

Two Virginia sales each sent cattle to 11 different States. One Missouri

Large numbers of buyers are essential to the success of the larger feeder calf sales.

sale and one in Ohio, on the other hand, kept all cattle within their State boundaries. The number of States receiving cattle from pooled sales varied between these extremes with an average of 5. The following tabulation summarizes the information for all agencies that supplied these data:

Number of agencies	Number of States cattle sent to
2	1
23	2 or 3
23	4 or 5
9	6 or 7
5	8, 9, or 10
2	11

The proportion of cattle going to out-of-State buyers also varied considerably--much more among the sales within a State than between the States. The range was from 3 percent at one Missouri and two Ohio sales to 87 percent at a sale in West Virginia. The average was 56 percent for all sales

Forty-two percent of the sales, mostly in Missouri, sold less than half their cattle to out-of-State buyers. A similar number, mostly in Tennessee and Virginia, sold between half and three-fourths to out-of-State buyers and the remaining 16 percent sold over three-fourths of their cattle in this way.

Proportion Bought by Farmers

Farmers buying cattle to feed out themselves bought 70 percent of the cattle from the pooled sales studied. However, there was considerable variation between States. The figure ranged from 10 percent at a West Virginia sale to 100 percent at sales in Georgia and Ohio.

Less than half the cattle were bought by farmers at 11 sales located largely in Virginia and West Virginia. At 13 sales, also mostly in Virginia and West Virginia, farmers bought between 50 and 69 percent. Twenty sales, located largely in Missouri, sold between 70 and 89 percent of their cattle to farmers. At the remaining 15 sales, mostly in Missouri and Ohio, over 90 percent of the cattle went directly to farmers. The remaining sales did not report this information.

This pattern of sales to farmers and delivery within the State was about as would be expected. The large feeding States of Ohio and Missouri sold more of their cattle to farmers and most stayed within the State. On the other hand, West Virginia and Virginia, where feedlot operations are less common, sold a larger proportion of their cattle to dealers and out-of-State buyers.

Effects of Pooling on Prices and Costs

The real test of the value of a pooled sale is its effectiveness in increasing net returns to producers. Net returns are influenced by costs as well as prices.

We were not able to get actual cost and price comparisons at pooled sales and other sales. However, we asked the market agencies handling pooled sales for their opinion on what effect this method of sale had on prices and costs. We also made observations in the field and talked with stockmen on this question.

Before reporting results of this phase of the interviews, we need to make two qualifications:

1. We recognize that the statements and figures cannot be presented as facts since they represent only opinions of the men interviewed.

2. All the benefits attributed to pooling--the price increases, reduced costs, and other advantages--are not due to pooling alone. Most of the pooled operations were sponsored by special sales and some of these advantages would likely have been gained even if the cattle had not been commingled.

Prices

Without exception, market agencies interviewed reported pooling increased prices of feeder cattle. The amount of increase varied between $1 and $5 per hundredweight, with 60 percent of the respondents suggesting it was $2 to $3. These figures have been borne out by several recent comparisons of prices at Virginia special feeder calf sales with prices of calves of the same grade and weight, not pooled, but sold through regular Virginia market outlets during the same week.

In one Missouri county the market agency indicated that a price increase of $3 per hundredweight for feeder cattle and $4 per hundredweight for feeder pigs had brought additional revenue of $186,000 to producers in the county. A Virginia agency suggested the price increase due to pooling was $3 for smaller producers but less for larger ones, with the implication that small producers had less bargaining strength. This would emphasize the particular importance of pooling to the smaller producer.

Thus far we have stressed the value of increased prices only to those who participate in pooled sales programs. There also seems to be a price benefit to all feeder cattle producers in the area. This is in the form of a general increase in the price level.

Again, we cannot measure the exact amount of price increase that is due to pooled feeder sales. However, in our field interviews we were told repeatedly that prices throughout the area were higher because of the influence of the pooled sales program. One agency indicated the price differential had been $5 to $7 per hundredweight in favor of pooled calves when the program was first started but that it was considerably less now.

Undoubtedly a major reason for this reduced differential was that prices in the country and at other markets had been forced up by stockmen's better knowledge of the true value of their cattle and greater competition to buy them before the sale.

Calves sometimes are sold on forward contract, with delivery at the farm based on prices that will be paid for the same grade and weight at the local feeder calf sale. Thus the pooled sales have become the leader in setting prices throughout the area.

Costs

All but two of the pooled market agencies answering the question on costs indicated that pooling reduced their costs of operation. Two reasons are largely responsible. First, grouping of cattle and selling in larger lots materially reduces selling time. (See page 19.) Second, pooling draws a much larger volume which

Pooled feeder cattle sales attract large buyers who haul cattle away by the trailer load. Many bring one or more large stock trucks such as this with them to the sale. Others hire trucks at the sale.

can be handled with relatively little increase in overhead. Thus, the cost per head would be less.

Two markets indicated their costs were enough lower that they could reduce their per-head commission charge to the producer. On the other hand, a market operator who had said that pooling increased his costs, charged a higher commission fee for handling pooled cattle. The majority of the markets, however, charged the same fee, whether the cattle were pooled or not.

Since most markets were able to reduce their operating costs through pooling, we can assume this advantage would apply generally to other agencies that adopted this program.

If the agency were a cooperative, benefits to the farmers who owned the association would be applied immediately. Even where the market was not farmer-owned, the savings from pooling would result in greater market efficiency. This would benefit the farmer--in some cases by an actual reduction in his selling fees, and in other cases by postponing the time when selling charges would be raised. Increased efficiency can always be considered a benefit to the community.

A summary of the major advantages and disadvantages of pooling as reported by market agencies contacted in the overall study on pooling is presented in appendix exhibit 5.

Recommendations

Pooling feeder cattle is similar in principle and operation to pooling other species. Most of the suggestions listed in FCS Marketing Research Report No. 510, Livestock Pooling -- Improved Marketing Through Grading and Commingling, apply to all classes of livestock. The reader is referred to pages 45 to 50 of this earlier publication for a detailed discussion of the suggestions that are listed in outline form here.

● Establishing a Pool

Study receipts to determine their makeup.
Get consignors' and buyers' support.
Insure sufficient buying competition.
Provide adequate facilities.
Consider order of sale carefully.
Pool as many species as possible.
Develop efficient accounting procedures.
Encourage pooling throughout area.

- Grading

  Get competent grader.
  Grade accurately.
  Keep lots uniform in weight.
  Stand firm on grades.
  Keep grading standards uniform from week to week.
  Coordinate on a regional basis.
  Watch excessive fill.

- Handling and Selling

  Adjust size of pooled lots to buyers' needs.
  Sell in pens where feasible.
  Pen similar livestock in the same pens each week.

- Expanding Pooling

  Expand to new areas not now pooling.
  Livestock cooperatives should pool wherever feasible.

We will now consider briefly a few specific suggestions for pooling feeder cattle.

Expand to New Areas

This study has shown that pooled feeder cattle sales have real advantages over other sale methods. Pooled selling, however, is being used extensively in only a relatively small area of United States.

Conditions appear to be right for setting up this type of marketing program in a number of other places. Areas best adapted are those in which many small producers market a large total volume of feeder cattle. The Deep South, the Midwest, and the West might be considered.

Feeder cattle production is expanding in many States, especially in the South. In most of these States quality of cattle is improving; however, a good reputation has not yet been established in all of them. Setting up pooled sales could do more, perhaps, than anything else to improve quality, build a reputation for cattle in these areas, and encourage buyer competition with its attendant increase in prices to the producer.

Relatively few feeder cattle have been sold through pools in the West. Some sections, however, may be unusually well adapted to this method of sale.

In some areas several stockmen run their cattle in common on public range during the summer, and have done so for many years. Their cows and heifers are bred during this season and the stockmen have always used bulls in common. For these reasons calves coming off this range in the fall are almost as uniform as if they had been produced by a single stockman.

If a pooled sale were held with these cattle, some very attractive packages could be made up which should sell better than the stock of any of the producers offered by itself. Sales at Indian reservations are examples of this type of pooling operation being carried on successfully.

A number of feeder cattle sales have been operating in some areas of the West for many years. These sales, held at auctions and sponsored by cattlemen's organizations, with the help of county agents in some States, have catered mostly to the larger producers. Sorting and grading have been done but no commingling.

These sales could be extended to include smaller producers in the area. Even some of the medium-sized and

Many areas not now using the pooling method could do so. Even this large Western producer might benefit if his cattle were sorted, graded, and packaged in lots with similar cattle of his neighbors.

larger producers might benefit considerably by pooling if their cattle were sorted by quality, grade, and weight and made up into larger, attractive packages of uniform animals.

With the growth of commercial feedlots, many buyers want large lots of cattle. Therefore, the maximum lot size can be larger now than a few years ago.

Determine Feasibility of a Pooled Sale

We have mentioned the South and certain areas of the West as places that might be suited to feeder cattle pooling programs. A number of other areas may offer equally favorable opportunities.

However, before a new pooling program is set up anywhere, we recommend that a study be made to determine if the area and conditions are adapted to this type of marketing. The request for such a study should come from feeder cattle producers and be made to the State Agricultural College or University.

It is desirable to make the study on a statewide basis because the program has a better chance for success if it is developed on this broad base.

The study should cover production patterns and marketing methods in the area. Information is needed on number of feeder cattle producers, their size of operation, total volume marketed, marketing methods used, attitude of producers toward a pooled marketing program, and their willingness to support it.

Organization

If the study reveals that a pooled feeder cattle program is feasible, the next step is to determine the type of organization best suited to handle it. Successful pooled sales have been conducted by regular auction markets and terminals, as well as cooperatives and other farmer-owned special sales agencies organized for this purpose. Under the right conditions any of these can be successful.

Auction Markets

Less than one-fifth of the market agencies pooling feeder cattle in 1959 were auctions. However, some of these conducted successful sales and we believe pooling could well be extended through this medium in other areas.

Where there are large runs of feeder cattle in the fall months, a pooling operation might be instituted as part of the regular weekly auction sale. Some auction markets contacted were operating in this manner. Another alternative is for the auction to hold several special pooled sales on other than regular auction days. Some auctions also conducted this type of operation.

Among the major problems of any pooling operation are those associated with grading. These can be minimized if auction markets contract with a competent disinterested public agency, such as the State Department of Agriculture, to do the grading.

Terminal Markets

Commission firms operating on some terminal markets could also use the pooling method to advantage. Here again pooling could be done as part of the agency's regular market operations. Or, as two terminal markets were doing in 1959, a special pooled auction sale could be held with all commission firms invited to participate. With the trend towards special weekly auction sales at many terminal markets, facilities for this type of sale are becoming available.

We recommend that other firms at terminal markets consider feeder cattle pooling.

Special Sales

There are a number of problems in setting up and conducting successful pooling operations at established markets, but the problems can be solved.

Our study indicated, however, that the most successful type organization in operation in 1959 was the special sale. These sales were usually sponsored by statewide stockmen's organizations but held at the larger local auctions. Auction management furnished the facilities and most of the labor and usually received the regular commission fee. The pooled sale brought in new consignors and buyers and was a good source of advertisement to the auction.

When considering the possibility of special sales we suggest stockmen contact the Cooperative Extension Service relative to assistance it may give. This contact may be made through the county or State extension offices.

A special feeder cattle pooling program should be developed on a statewide basis. Cooperating groups and agencies might include stockmen's organizations, such as local and statewide livestock improvement and breed associations; farm

A successful pooling operation requires cooperation from farmers, farm organizations, stockmen's association, public agencies, and others. Here the manager of a livestock marketing cooperative and a group of farmers and organization representatives discuss plans for a feeder calf sale.

organizations; the State Department of Agriculture; and established marketing organizations. The part each can play will be discussed briefly.

<u>Stockmen's Organizations</u>. -- Initial impetus for a pooled sales program should come from feeder cattle producers. Stockmen must work together through an organization if the pool is to be set up and operated successfully.

If a livestock marketing cooperative serves the area, it can provide leadership in setting up the pooling program and getting it under way. States which have no livestock cooperative may have a local or even a statewide livestock improvement association already organized. Where there is a complete organization--locals federated with a statewide association--it may be necessary only to broaden its scope of activities to include marketing feeder cattle through pooled sales. If no such organization is available, one might be set up with the pooled marketing program as one of its major functions.

<u>Farm Organizations</u>. -- Local and State farm organizations can be called on to help sell the program and get it under way. They have the confidence of many stockmen and can be of real help, especially in the early stages of developing the program.

<u>State Departments of Agriculture</u>. -- A feeder cattle pooling program can be successful only if an effective and unbiased job of grading is done. The State Department of Agriculture is well suited to do this job. A set of grade standards will need to be adopted that can be used throughout the State. We recommend the use of official USDA standards and grades. The State graders will need to be trained to work effectively. However,

this need not be an expensive program for the State.

The State Department of Agriculture may wish to charge a per-head grading fee sufficient to cover most of their costs.

Established Marketing Organizations. -- Quite often one of the large items of expense in starting a pooled feeder cattle sale is the facility cost. Since the operation is so seasonal it is important to avoid too high an investment in facilities. Auctions and other established markets are operating throughout most of the United States. Besides facilities, these markets have personnel, management, buyer and feeder contacts, and marketing background. They have accounting forms and procedures, financial backing and bonding. These all tie in with the needs of a newly organized feeder cattle pooling agency.

After a careful review of results of the feasibility study made earlier, the State organization set up to handle pooled sales can decide where the best locations for the sales would be. Factors to be considered include cattle population, availability of adequate facilities, and interest and need of producers. It is important to avoid pressures of local groups that may want a sale in their community regardless of its economic feasibility.

The State organization, with the help of the others mentioned above, can organize local units in the selected locations

A special sales agency contemplating starting a pooled sale might consider renting local auction facilities. Pens need not be elaborate. They may be located on untillable soil but should be large enough to accommodate all cattle anticipated.

so the entire State will be covered with sales of adequate potential volume. Sales agencies in each area may then contract with the market in their area to handle the sales. This handling should include the accounting and financial end of the sale - receiving and disbursing all funds - as well as the physical handling of the cattle.

Volume is especially important in pooled sales because buyers will pay premium prices only if stock is in attractive packages of uniform quality and weight. This requires large numbers. No sale should consider operating without at least 500 head. It is better at first to have only a few sales well located over the State even though some stockmen may have to haul their cattle a considerable distance. As the program catches on, other sales can be added.

Additional Pooling

Where a statewide pooled sales program is in operation or where such a program may be set up, all feeder cattle will probably not be marketed through these special sales. Many cattle will be sold direct at the farm through dealers and through auctions or terminal markets. Some of these cattle may be owned by stockmen who cannot or do not wish to meet all the health regulations or quality restrictions set up by the pooled sales assocition. These restrictions may apply to cattle of Common grade, cattle with horns, or heifer calves that have not been brucellosis vaccinated. Some stockmen will not wish to participate in the pooled sale for various other reasons.

We recommend that every effort be made to encourage stockmen to patronize the special sales and suggest that cattle able to meet normal health requirements but not all of the other requirements of the sale as presently set up be allowed to come in under an expanded program. These cattle would be handled separately--pooled with cattle of similar grade and sold after cattle meeting present requirements.

This additional stock should not affect the quality or grade handled under the present program. However, accepting such stock would make it possible for new patrons to use the program and for old patrons to pool a greater proportion of their cattle. The increased volume brought about by this change of operations should encourage more buyers; this in turn, should increase competition and enhance prices. More volume is also an asset to the market agency because of the greater revenue it produces.

If the sales association does not choose to initiate this expanded program, or if numerous feeder cattle in the area are still going through local markets and terminals, then these markets might consider carefully the advisability of pooling the feeder cattle they handle, especially during the season of heavy runs.

We feel that the advantages of pooling should not be limited to patrons of a particular type of sale or producers of only certain kinds or qualities of feeder cattle. Producers of all grades should have access to this method of marketing. Whenever there are enough cattle of similar characteristics to make up even a small lot, we feel it would be advantageous to the owners if the cattle were pooled.

Pooling Slaughter Cattle

Only one market agency in the United States was found to be pooling fat cattle in 1959. A number of other agencies sponsored slaughter cattle sales where grading was done but no commingling.

At some of the spring feeder cattle sales, steers weighing over 900 pounds and heifers over 800 pounds were received. These cattle had been on grain rations and could go to the packer or back into the feedlot for further finishing. Some were bought by packers and sent immediately to slaughter.

This would indicate that producers of slaughter cattle were willing to have their animals pooled and buyers were willing to buy fat cattle in pooled lots.

Based on limited observation and study, we believe slaughter cattle pooling offers distinct advantages to both producers and buyers. Further study should be made of this new method of marketing slaughter cattle.

There has been very little pooling of fat or slaughter cattle. However, cattle like this could well net producers more if graded, pooled with similar cattle from other owners, and offered for sale in truckload or carload lots.

Appendix

EXHIBIT 1

RULES AND REGULATIONS
RAPPAHANNOCK ANGUS FEEDER CALF ASSOCIATION FEEDER CALF SALE
FRONT ROYAL LIVESTOCK MARKET, FRONT ROYAL, VA.
OCTOBER 13, 1959

1. The sale is sponsored by the Rappahannock Angus Feeder Calf Assn., Box 98, Washington, Va., and the V. P. I. Extension Service.

2. CONSIGNMENTS are limited to producers only and members of the Association who agree to mix ownership according to grade, weight, and sex in order to make attractive sale lots.

3. NOMINATIONS must be submitted and fees paid to the Association at the address shown above on or before August 15th, 1959.

4. NOMINATION FEE of $1.00 per head must be paid to W. C. Campbell, Treas., when calves are nominated. Fees on calves accepted by the Weeding Committee but not delivered to the sale shall be forfeited and remain in the Association's treasury (Also see 9 below). No calves shall be inspected unless nomination fee has been paid.

5. ELIGIBILITY OF CALVES (a) No calf weighing under 300 lbs. nor those born prior to December 1st, 1958, will be sold through the regular feeder calf sale. Light calves and yearlings meeting the approval of the Weeding Committee may be sold after the regular sale. (b) Only calves known to be sired by a registered Angus bull and out of beef type cows showing predominant Angus breeding will be acceptable. (c) Only steer and heifer calves are eligible and all steer calves must have healed. No bull calves, calves grading Common, nor calves of dairy breeding will be accepted. THE GRADER'S DECISION SHALL BE FINAL. REJECT CALVES MUST BE TAKEN HOME IMMEDIATELY. (Instruct your trucker not to leave the auction market until after calves have been graded to see if there are any he should take home.) (d) NO HEIFER KNOWN TO BE BRED WILL BE ACCEPTED. To avoid this, heifers five months of age or weighing 400 lbs. must be kept away from the bull. (Decision of the Weeding and or Sale Committee shall be final.)

6. HEALTH (a) Plan II A. All heifer calves must come from herds that have had a negative test for T. B. and Bang's disease within twelve (12) months of the date of the sale and all heifer calves must be vaccinated with Bang's disease vaccine (strain 19) between the age of 4 and 8 months. Steer calves may be entered from untested herds. Vaccination certificates signed by a veterinarian must be presented to the sale officials on the day of delivery (Oct. 12, 1959).

B. Blackleg and Malignant Edema: All calves must be vaccinated with Blackleg - Malignant Edema bacterin within thirty days (30) and not less than fourteen days (14) prior to sale date.

C. Hemorrhagic Septicemia: All calves must be vacinated against Hemorrhagic Septicemia the same time vaccinated for Blackleg-Malignant Edema.

D. Affidavits: By the person administering the Blackleg-Malignant Edema and Hemorrhagic Septicemia bacterins must be presented to the Sale Committee at the time calves are delivered. (It is recommended all consignors employ a veterinarian or some disinterested person to administer these bacterins.)

E. Other Precautions: The Weeding and Sale Committees shall not accept heifer calves from any herd suspicious of, or known to have, reproductive disease of any sort.

7. Herd Inspection: All herds nominating calves must be inspected by the Weeding Committee according to schedule notice to consignors during the weeks of Sept. 1st. and 14th. Both cows and calves must be in the barn lot or nearby pasture to be inspected by the Weeding Committee. The Committee will not make repeat farm visits for the purpose of herd inspection.

8. Ownership: All calves remain the property of the consignors until sold, then they are at the buyer's risk but will not be released until paid for.

9. Sale Expenses: Auction market charges at their usual rates. The promotional fee due Virginia Beef Cattlemen's Assn., @50¢ per calf weighing 300 lbs. and over and per yearling shall be deducted from each consignor's payment by the Front Royal Livestock Market. Other sale expenses such as advertising, grading fees, feed, travel for the Weeding Committee, shall be deducted from the nomination fees.

10. Identification: All consignors must identify each calf delivered to the sale with permanent type metal ear tag. Such tags and clinchers to be delivered by the Weeding Committee to each consignor at the time herds are inspected. A deposit of $1.50 shall be required for each ear tag clincher, this money to be refunded upon the return of the clinchers to the Association. Consignors already having calves identified with such tags will not be required to use additional identification.

11. The Weeding and Sale Committee have been instructed to disqualify all calves not meeting these requirements.

12. Heifer Guarantee: Each consignor will guarantee that his heifers are not bred and it will be to the interest of the consignor to withhold from the sale any heifer calves thought to be bred.

J. Rodes Brown, Pres.
Jas. E. Yates, Vice Pres.
W. C. Campbell, Secy-Treas.

EXHIBIT 2

INSPECTION AND VACCINATION CERTIFICATE

NAME ______________________________ ADDRESS ______________________________

COUNTY ______________________________

ON ______________________ the Inspection Committee inspected __________ calves
date number
for the above consignor and approved for sale subject to the final inspection of

the State Graders and weight limits, __________ steer calves and __________ heifer
number number
calves of ____________________
breed SIGNED ______________________________
Member of Inspection Committee

These calves were sired by the following bull or bulls ______________________________
name

____
Registration Number

SIGNED ______________________________
Consignor

This is to certify that I vaccinated ______________ calves for blackleg and shipping

fever on ____________________
date

SIGNED ______________________________
Party who does the vaccination

** ** ** ** ** ** **

HEIFER CALF AGREEMENT

The undersigned consignor of heifers to this sale has made a sincere effort to prevent his heifers from being bred. Realizing it is hard to accomplish this 100%, yet to give the buyer some protection, I agree to reimburse the buyer (through the Association) 20% of the purchase price (per average of the pen from which heifer was sold) upon satisfactory proof of heifer being bred prior to sale date.

Date ______________________ Signed ______________________________

This agreement to be signed by all consignors of heifer calves.

AT AUCTION

RICHMOND, VIRGINIA

FEEDER CALF SALE

Wednesday, October 7, 1959 — 1:00 P.M.

Richmond Stock Yards

1800 STEERS AND HEIFERS 300-700 LBS.

Herds field inspected – calves sired by registered bulls – out of high grade or registered beef cows.

Graded by Virginia Division of Markets Graders.

All heifer calves vaccinated for Brucellosis and are eligible for interstate shipment. GUARRANTEED OPEN BY 20% REFUND.

Calves vaccinated for Blackleg and given one dose of Shipping Fever serum.

AFTER WEIGHING AND GRADING CALVES WILL BE FED AND WATERED.

When purchases are made at two or more sales, calves may be conveniently assembled here for shipment by Rail or Truck.

RICHMOND FEEDER CALF PRODUCERS ASSO.

E. T. JANNEY, Sales Manager
Powhatan, Virginia
Phone LYRIC 8-4364

MISS BETTY WALTERS, Secy.
Route 1, Richmond 3, Virginia
Phone MILTON 8-2006

YEARLING SALE OCT. 28th

EXHIBIT 4 (Sent to each consignor after sale)

SUMMARY - VIRGINIA BEEF CALF SALES - 1959

Tazewell - October 14

Breed	Grade	No. Head	Total Weight	Avg. Weight	Total Received	Price CWT	Price Per Head
			Steer Calves				
Hereford	F & C[1]	74	33,925	458	$10,465.89	$30.85	$141.43
Shorthorn	F & C	1	425	425	112.63	26.50	112.63
Crossbred	F & C	1	495	495	141.08	28.50	141.08
Horned Hereford	F & C	2	850	425	255.00	30.00	127.50
Total		78	35,695		10,974.60		
Average				458		30.75	140.70
Hereford	Good	170	74,593	439	22,583.94	30.28	132.85
Shorthorn	Good	3	1,359	453	375.08	27.60	125.03
Crossbred	Good	5	2,245	449	606.15	27.00	121.23
Horned Hereford	Good	1	370	370	111.00	30.00	111.00
Total		179	78,567		23,676.17		
Average				439		30.14	132.27
Hereford	Medium	114	47,829	420	13,837.66	28.93	121.38
Shorthorn	Medium	8	3,490	436	904.24	25.91	113.03
Crossbred	Medium	3	1,350	450	344.25	25.50	114.75
Total		125	52,669		15,086.15		
Average				421		28.64	120.69
Total		382	166,931		49,736.92		
Average				437		29.79	130.20
			Heifer Calves				
Hereford	F & C	93	41,473	446	10,675.71	25.74	114.79
Off Color	F & C	1	380	380	91.20	24.00	91.20
Crossbred	F & C	1	425	425	102.00	24.00	102.00
Total		95	42,278		10,868.91		
Average				445		25.71	114.41
Hereford	Good	146	59,680	409	15,111.05	25.32	103.50
Shorthorn	Good	7	3,305	472	767.55	23.22	109.65
Crossbred	Good	4	1,660	415	398.40	24.00	99.60
Total		157	64,645		16,277.00		
Average				412		25.18	103.66
Hereford	Medium	61	23,674	388	5,596.71	23.64	91.75
Shorthorn	Medium	3	1,355	452	268.28	19.80	89.43
Crossbred	Medium	3	1,390	463	265.80	19.12	88.60
Horned Hereford	Medium	3	1,170	390	251.55	21.50	83.85
Total		70	27,589		6,382.34		
Average				394		23.13	91.18
Total		322	134,512		33,528.25		
Average				418		24.93	104.13
Grand Total		704	301,443		83,265.17		
Average				428		27.62	118.27

[1]Fancy and Choice.

EXHIBIT 5 - Advantages and disadvantages of pooling reported most frequently by market agencies contacted in the overall study on pooling and number of agencies reporting.

	Number of agencies reporting
Advantages to market agencies:	
Reduces operating costs	146
Helps increase volume	71
Attracts more and/or larger buyers	45
Can render better service to consignors and buyers	41
Disadvantages to market agencies:	
Increases cost of operation	26
Cannot have a perfect grader	15
Requires more office work and bookkeeping	14
Difficult to satisfy some consignors with grading	11
Advantages to consignors:	
Receive a higher average price	265
Educational for consignors	123
Can merchandise livestock in packages more attractive to buyers	67
Increases competition for livestock	49
Small consignor has same advantage as large consignor	37
Saves the consignor time	37
Disadvantages to consignors:	
Consignors cannot "no sale" pooled livestock or by-bid without great risk	33
Better producers are penalized by wide quality variation within a pooled lot	32

EXHIBIT 5 - Advantages and disadvantages of pooling reported most frequently by market agencies contacted in the overall study on pooling and number of agencies reporting (continued).

	Number of agencies reporting
Advantages to buyers:	
Can buy large number of uniform animals in one lot	201
Saves buyer time and expense	194
Know quality of livestock in each lot and can depend on its being uniform from one sale day to another	47
Can determine quicker what livestock is available	29
Get better quality livestock	29
More sure of getting a load	23
Disadvantages to buyers:	
Have to pay a higher price	69
Have to buy lots offered regardless of size	35
Have more competition	20
Shrink on pooled livestock is high	16
Feeder livestock in a pooled lot may not feed out uniformly	15
Livestock in pooled lots may not be uniform enough	13

These advantages and disadvantages are discussed in an earlier Farmer Cooperative Service report, "Livestock Pooling--Improved Marketing Through Grading and Commingling," Marketing Research Report No. 510.

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