Livestock Cooperatives in the Southeast

FCS RESEARCH REPORT NO. 13

FARMER COOPERATIVE SERVICE

U.S. DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMER COOPERATIVE SERVICE
Washington, D.C. 20250

Farmer Cooperative Service conducts research; advises directly with cooperative leaders and others; promotes cooperative organization and development through other Federal and State agencies; and publishes results of its research, issues *News for Farmer Cooperatives,* and other educational material.

This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and small-town residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.

FCS Research Report No. 13 May 1970

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SUMMARY

The Southeast's livestock industry has taken on added importance in recent years. Since 1950 its cattle and hog production has grown faster than the Nation's. Sales of livestock now provide farmers in 12 Southeastern States with about 18 percent of their total cash income from sales of farm products.

This study was undertaken to determine the extent of livestock production, marketing, and meat processing activities being carried on by cooperatives in 12 Southeastern States. It covers all associations known to be operating in 1967. Those not formally organized as cooperatives were included since they basically operate along cooperative lines.

In 1967, 206 cooperatives fed, marketed, or slaughtered and processed livestock for Southeast producers at 217 locations. Almost 83 percent were special sales associations that marketed one or two classes of livestock on a seasonal basis. Only 27 cooperatives operated daily or weekly; they included 20 local auctions, a concentration yard, a meatpacking cooperative, and five large-scale marketing agencies.

Over half the cooperatives were in Virginia, Tennessee, and Kentucky. Four States each had 10 or fewer.

Most associations handling cattle were in concentrated producing areas. A large number of those handling swine were outside the areas of heaviest production. Several concentrated production areas for both cattle and swine were not being served by cooperatives.

Most Southeast cooperatives (181) were locals whose members were farmers residing in a relatively small area. Eleven had a centralized membership structure.

Marketing livestock was the principal activity of 182 of the 200 Southeast cooperatives. Three were primarily engaged in purchasing farm supplies.

A large percentage of the cooperatives carried on specialized marketing operations. Of the 166 special salcs associations responding, 138 limited their operations to holding special sales for feeder cattle or feeder pigs, or both. Only 19 cooperatives were engaged in general livestock marketing operations.

Over 100,000 Southeast producers were members of livestock associations. Nearly 78,000 farmers marketed through cooperatives in 1967. We estimate that about 12 percent of all Southeast producers used cooperatives to feed, market, or slaughter and process their livestock.

Cooperatives handled $154 million worth of livestock and $75,000 worth of wool in 1967. A total of 1,230,300 hogs, 820,500 cattle, and 56,700 sheep and lambs moved through cooperatives. This represented about 10 percent of all livestock marketed in the region. Livestock associations handled as much as 25 percent of the cattle, 20 percent of the hogs, and 34 percent of the sheep and lambs marketed in some States.

The five large-scale marketing associations handled nearly half the total cooperative volume in the Southeast. Local auctions marketed about a fifth of the cooperative cattle and hog volume and a third of the sheep volume. Special sales associations marketed only 27 percent of the cattle and 33 percent of the hogs handled cooperatively.

Cattle feeding associations fed 34,512 cattle to slaughter weight and condition in 1967. They also put more than 2,800 calves through growing or conditioning programs.

A large proportion of the Southeast cooperatives operated infrequently in 1967. Over half the 103 feeder cattle associations held only one sale. All but four of the 54 feeder pig associations held fewer than 13 sales.

Cooperatives sold livestock by a variety of methods, but auction sales were used most widely. Pooling of animals for sale was not a common practice, except for special feeder cattle and feeder pig sales and lamb pools.

Few cooperatives had contracts with either members or livestock buyers.

Cooperatives owned facilities valued at $5.3 million. They owned only about one-fourth of the facilities used for marketing livestock. Most belonged to local auctions and large-scale marketing associations. Special sales cooperatives primarily used local sale barns and public facilities such as fairgrounds.

Cooperatives furnished producers only limited production services. The most frequently reported service was vaccination. Spraying or dipping at the market and selection and procurement of breeding stock were provided by a few. Seven purchased production supplies and three large-scale marketing agencies financed livestock enterprises.

The marketing services of most cooperatives were largely limited to commission sales. A few also bought livestock from producers and resold it. The other major services consisted of making on-farm appraisals of livestock and providing market information. The large-scale marketing associations also provided futures trading service.

The financial results of Southeast cooperatives' 1967 operations were mixed. Of 136 reporting, 104 had net margins, 23 had net losses, and nine broke even. Net margins totaled $372,000. Thirteen cooperatives paid patrons cash refunds totaling $60,634.

The results of this study lead to the following conclusions:

- Many cooperatives need to consider consolidation as a way to broaden services and reduce cooperative overpopulation.

- Producers in several concentrated production areas have no cooperative services available. They may encourage existing large-scale marketing or large farm supply associations to provide livestock marketing services in their area, or they may start new cooperatives.

- Many associations with highly specialized operations need to broaden their activities to provide complete marketing services for producers. Large farm supply cooperatives in the region also need to evaluate opportunities for providing livestock marketing services.

- Cooperatives must provide a wider range of production and marketing services on a year-round basis if they expect to become an important factor in the Southeast livestock industry.

- Cooperatives need to develop plans for providing the capital needed to expand their services.

LIVESTOCK COOPERATIVES IN THE SOUTHEAST[1]

By John T. Haas
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The Southeast has experienced great changes in its agriculture since World War II, including substantial growth in its livestock industry. Producers in the 12-State[2] area increased their marketings of cattle and calves 83 percent between 1950 and 1967. Marketings of hogs and pigs increased 30 percent, while sheep and lamb marketings declined 55 percent. Since sheep and lamb production is relatively small, marketings of all livestock rose nearly 40 percent.

Cattle and hog production in the Southeast has grown at a faster rate than national production. Despite this fact, the Southeast's relative position was about the same in 1967 as in 1950. Its share of total U.S. cattle and hog marketings increased only 1 percent, while its share of total sheep and lamb marketings fell 3 percent.

The sale of livestock is an important source of cash income to Southeast producers. In 1967 these farmers sold 20 million head of livestock for which they received $1.6 billion. This represented about 18 percent of their total cash receipts from farm marketings. Thus, it is important to these producers that they receive the full market value for their livestock. One way farmers can help assure themselves equitable returns is to market their livestock through their own cooperative organizations.

The National Commission on Food Marketing[3] found that: "Unorganized and unsupported farmers have had to depend upon the competitive bidding of buyers to receive the full market value for their products." The Commission further stated that: "Food industry developments pose more clearly than ever before the question of how farmers can obtain sufficient bargaining strength to defend their prices and other terms of sale. Group action is needed if any substantial changes in sales arrangements are to be made."

Group action among Southeast livestock producers appears to be limited. Previously available statistics showed that 79 cooperatives handled livestock and livestock products for Southeast producers in fiscal 1966-67.[4] Their livestock sales were estimated at $103 million. This represents 6.5 percent of the total cash income farmers in the region received from the sale of livestock.

Cooperative activity in the Southeast has increased during the last two decades. Comparing 1967 with 1952, two more cooperatives were handling livestock and livestock products and the gross value of their sales was 107 percent larger. But farmers' total cash receipts from livestock increased only 42 percent during this period.

Cooperative livestock marketing in the Southeast still lags in relation to the rest of the Nation. In 1966, Southeast producers' cash receipts from livestock ac-

[1] Cooperatives, as used in this report, include organizations that operate like cooperatives but are not organized as such. The reasons for including these similar associations are discussed under Method and Scope of Study.

[2] Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. This area is referred to as the Southeast in this report.

[3] Food from Farmer to Consumer: Report of the National Commission on Food Marketing. U.S. Govt. Print. Off., Washington, D.C., June 1966.

[4] Swanson, Bruce L. Statistics of Farmer Cooperatives, 1966-67. FCS Res. Rpt. 5. U.S. Dept. Agr., Farmer Cooperative Serv., June 1969.

Southeast producers have substantially increased their production of both cattle and hogs in the last two decades.

counted for 10.6 percent of total U.S. cash receipts from livestock. Gross sales of Southeast cooperatives, however, represented only 5.2 percent of total cooperative livestock sales for the United States. While cooperative sales in the Southeast represented 6.5 percent of farmers' cash receipts from livestock, such sales in the rest of the Nation represented 14.2 percent of cash receipts from livestock.

SCOPE AND METHOD OF STUDY

This study was undertaken to determine the scope of cooperative livestock production, marketing, and processing activities in the Southeast. Previously available data provided only information on the trends in volume and memberships of cooperatives handling livestock and livestock products. This study is broader in scope, however, covering all organizations in the Southeast that operate on a cooperative basis. A basic feature of these organizations is that they operate for the benefit of producers and are controlled by them, although they may or may not be formally organized as cooperatives. The study provides basic background information on such matters as organizational characteristics, operating features, facilities, and services. It also offers several recommendations for the consideration of cooperative leaders and others.

This study is based on information received from 200 organizations. Six others did not provide information, but are known to have been operating. The 200 associations are organized and operated in somewhat different ways. For example, 75 are organized as cooperatives, usually under State cooperative laws, and operate in accordance with traditional cooperative practices and policies. Also included are 95 organizations often known as nonprofit associations. These generally are organized under State nonprofit incorporation acts and operate in a more informal way than those formally organized as cooperatives. In addition, there are 15 informal organizations operated by farmer committees. Other types of organizations, such as corporations, county general farm organizations, and county cattlemen's associations, also engage in limited amounts of livestock marketing activities on a cooperative basis.

Associations not formally organized as cooperatives were included in this study because they operate like cooperatives. Four distinguishing features characterize these organizations:

1. The nonprofit associations or corporations do not distribute net margins or dividends to patrons. Net margins usually are put in an unallocated reserve and used as a basis for adjusting the next year's operations to provide service at cost.

2. Members acquire no interest in the assets of the association by reason of membership or use of its facilities or services.

3. Associations cannot buy and sell livestock.

4. In case of dissolution, the association's net assets must be transferred to another nonprofit association or public corporation or agency.

A list of organizations handling livestock cooperatively was obtained from land-grant college personnel in each of the 12 States. Large-scale marketing cooperatives, cooperative cattle feedlots, and a meatpacking cooperative were contacted by personal interview. Data for all other associations were obtained by mail questionnaire.

In this report, the terms "cooperative" and "association" are used interchangeably.

NUMBER, TYPE, AND LOCATION

A wide range of types of cooperatives operated in the Southeast in 1967. Over four-fifths were special sales associations (table 1). These were organized, usually by farmers, to hold special sales for one or two classes of livestock on a seasonal basis. Examples are associations that sponsor feeder calf or yearling sales, feeder pig sales, and special lamb pools.

Three States had State special sales associations. They helped coordinate local special sales but handled no

Table 1.—Number of cooperatives handling livestock in the Southeast, by State and type of cooperative, 1967

State	Special sales associ- ations	Local auctions	Large-scale marketing cooperatives	State special sales as- sociations	Cattle feedlots	Feedlot federations	Concentra- tion yards	Meat- packers	Total
				Number					
Alabama	6	6	0	0	0	0	0	0	12
Arkansas	12	0	0	0	0	0	0	0	12
Florida	0	3	0	0	2	0	0	0	[1]6
Georgia	2	2	0	0	2	1	0	0	6
Kentucky	22	1	3	1	0	0	0	0	27
Louisiana	14	0	0	0	0	0	0	0	14
Mississippi	14	3	1	0	0	0	0	0	18
North Carolina	9	3	0	0	0	0	0	0	[2]12
South Carolina	6	1	0	0	0	0	1	0	8
Tennessee	35	0	1	0	0	0	0	0	36
Virginia	42	0	0	2	0	0	0	1	[3]45
West Virginia	8	1	0	1	0	0	0	0	[4]10
Total	170	20	5	4	4	1	1	1	206

[1]One auction did not respond but is known to have been operating in 1967.
[2]One auction and one special sales association did not respond but are known to have been operating in 1967.
[3]One special sales association did not respond but is known to have been operating in 1967.
[4]Two special sales associations did not respond but are known to have been operating in 1967.

livestock. State feeder cattle associations operated in Kentucky and Virginia, and a State feeder pig organization also operated in Virginia. The West Virginia State association served special sales cooperatives that held both feeder calf sales and lamb pools.

Only 27 cooperatives provided a regular daily or weekly market. Of these, 20 were local auctions. In South Carolina one operated a concentration yard and a Virginia cooperative operated a meatpacking plant. The other five were large-scale marketing associations that served producers in one or more States.

The remaining cooperatives included four cattle feedlots and a federation organized to provide services to three of these feedlots. In 1969, only one feedlot in Georgia was active.

As table 1 shows, each State had six or more cooperatives. Virginia had the largest number, followed by Tennessee and Kentucky. These three States accounted for over half of the region's associations. Florida, Georgia, South Carolina, and West Virginia each had 10 or fewer.

The 206 cooperatives handled livestock at 217 locations (figure 1). Three locations were in southern Indiana and Ohio, but they were used by producers in the 12-State area.

Figures 2 and 3 show where cooperatives handled cattle and calves in 1967 and the concentration of total cattle and calf marketings in 1964.[5] Most operations were located in concentrated cattle-producing areas. However, some heavy producing areas, such as northern Alabama, the black belt of Alabama, and northeast Mississippi, had no cooperative operations. Also, with the two Florida feedlots inactive, most cattle producers in that State now have no cooperative market.

Figures 4 and 5 show where cooperatives handled hogs and pigs in 1967 and the concentration of total swine marketings in 1964.[5] A large number of operations were outside the heavy hog producing areas, and several concentrated producing areas had no cooperative markets.

Table 1 and figures 1, 2, and 4 include information on the six nonrespondents.

[5]Since 1964 there appear to have been shifts in producing areas and increases in total production in some States.

FIGURE 1.--LOCATIONS WHERE COOPERATIVES HANDLED LIVESTOCK FOR SOUTHEAST PRODUCERS IN 1967

FIGURE 2.-- LOCATIONS WHERE COOPERATIVES HANDLED CATTLE AND CALVES FOR SOUTHEAST PRODUCERS IN 1967

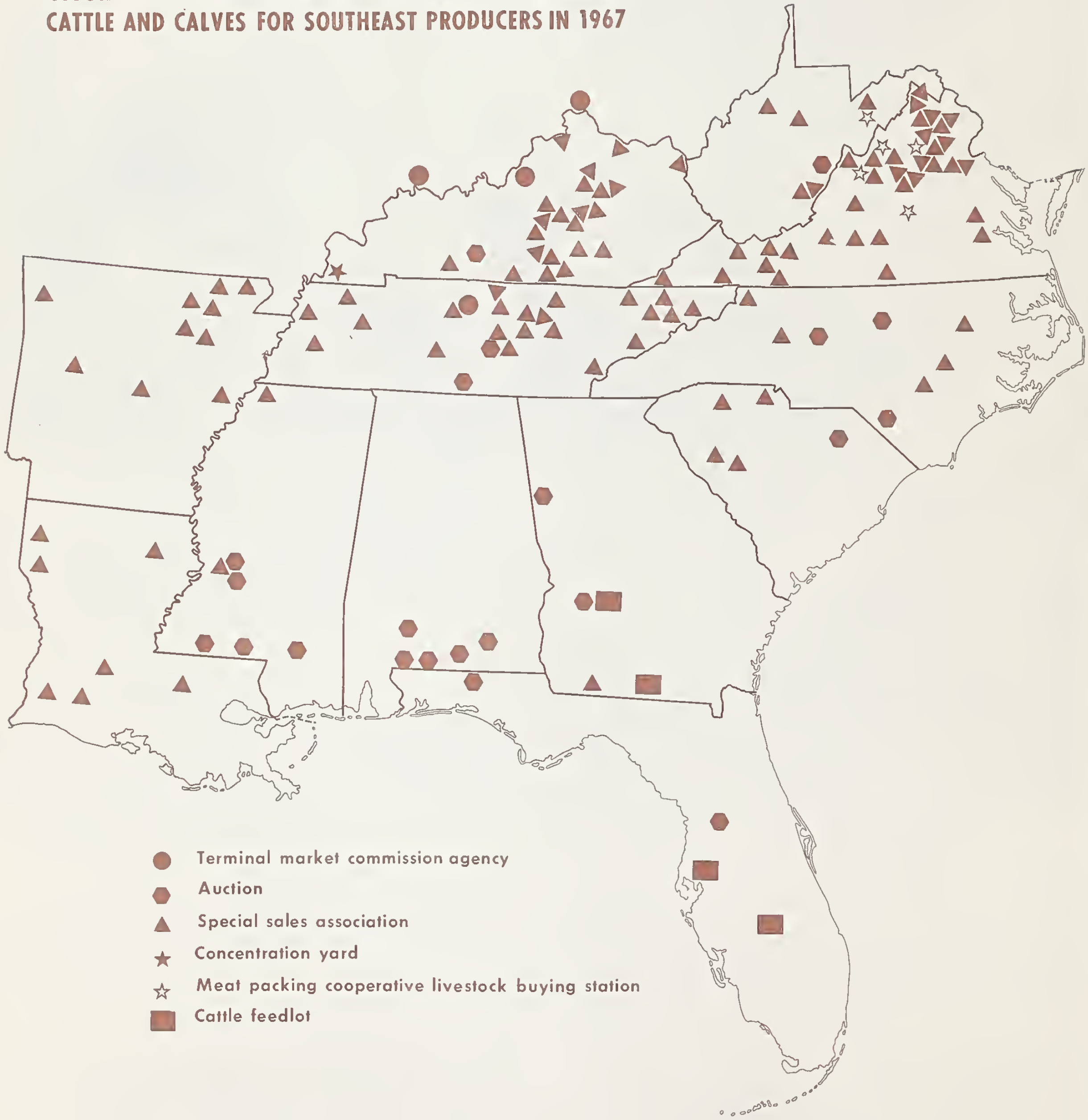
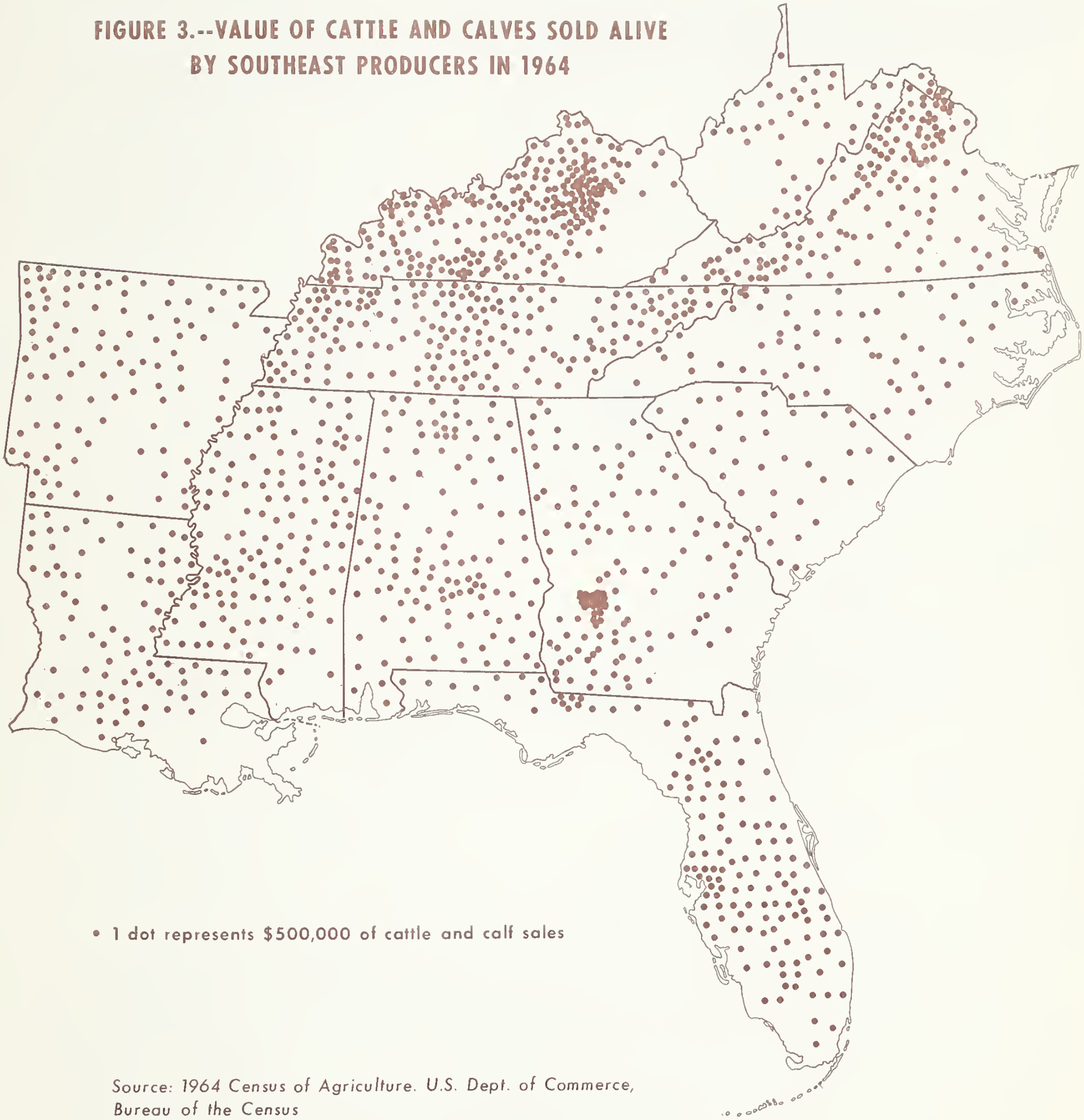


FIGURE 3.--VALUE OF CATTLE AND CALVES SOLD ALIVE BY SOUTHEAST PRODUCERS IN 1964



• 1 dot represents $500,000 of cattle and calf sales

Source: 1964 Census of Agriculture. U.S. Dept. of Commerce, Bureau of the Census

FIGURE 4.--LOCATIONS WHERE COOPERATIVES HANDLED HOGS AND PIGS FOR SOUTHEAST PRODUCERS IN 1967

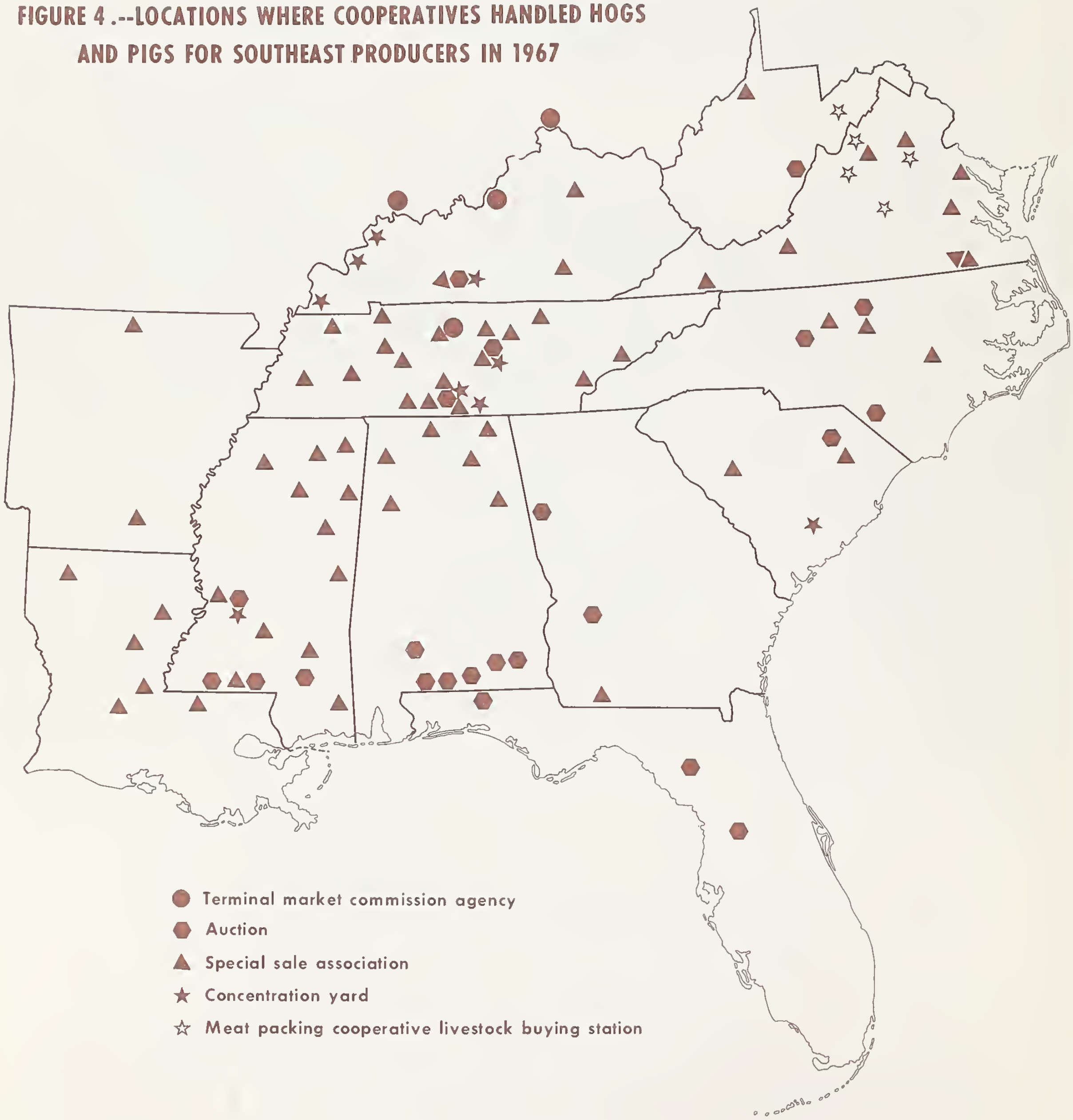
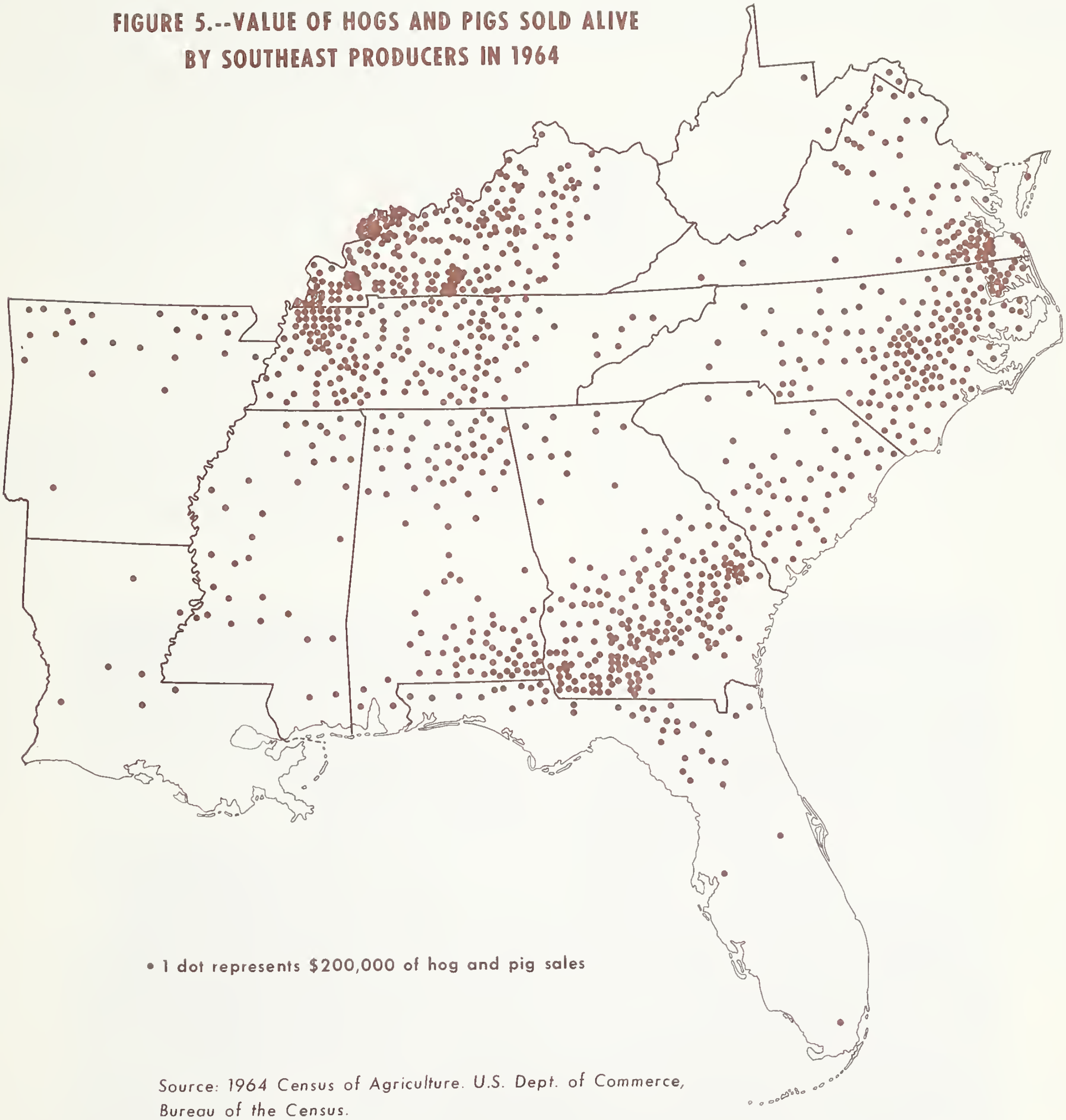


FIGURE 5.--VALUE OF HOGS AND PIGS SOLD ALIVE BY SOUTHEAST PRODUCERS IN 1964



• 1 dot represents $200,000 of hog and pig sales

Source: 1964 Census of Agriculture. U.S. Dept. of Commerce, Bureau of the Census.

ORGANIZATIONAL CHARACTERISTICS

This section describes the organizational characteristics of Southeast livestock cooperatives. It covers operating history, financial structure, membership structure and requirements, and relationship to other cooperatives.

OPERATING HISTORY

The oldest cooperative was started in Virginia in 1916. It sponsors special purebred dairy cattle sales for its members. Most associations studied started operating recently. Over one-third are less than 10 years old and another one-third started during the 1950's. Only one-eighth were operating prior to 1940, as shown in the following tabulation.

Period started operating	*Number of cooperatives*
Before 1940	25
1940-49	17
1950-59	70
1960-67	72
No answer	16
Total	200

The operating history varied by type of cooperative. Most special sales associations have a relatively short operating history, with 127 being started since 1950. About equal numbers began operating during 1950-59 and 1960-67. Only 14 were in operation before 1940, most of them in Virginia and West Virginia where special feeder calf sales have a long history.

Large-scale marketing associations are among the oldest, with one tracing its beginning back to the early 1920's. Three others began marketing livestock between 1925 and 1932. The remaining one started operating in 1955.

The only meatpacking association opened its plant in 1949. Cooperative cattle feedlots are a new development in this region—none of them existed before 1964.

Most cooperatives have operated continuously since their organization. Only 11, all special sales associations, have been inactive at some time. Of those that started before 1958, three marketed livestock during each of the

Cattle feedlots are a relatively new type of cooperative operation in the Southeast. Of the four operating in 1967, only one was still active in 1969.

10 years, 1958-67; three marketed during 5-9 of these years; and two marketed during 1-4 years. One feeder cattle association started operating in 1962, but marketed cattle only 1 year.

FINANCIAL STRUCTURE

Southeast livestock cooperatives were classified into two groups—capital stock and nonstock. Only 27 had a capital stock financial structure, as the following tabulation shows.

Financial structure	*Number of cooperatives*
Capital stock	27
Nonstock	161
No answer	12
Total	200

Twenty-four capital stock associations were formally organized as cooperatives, but less than one-third of the formally organized cooperatives had capital stock. Two special sales associations organized as regular corporations and one organized as a nonprofit corporation also had capital stock financial structures.

Associations that carried on continuous operations used the capital stock financial structure most widely. Two-thirds of the local auctions, four-fifths of the large-scale marketing cooperatives, one-half of the cattle feedlots, the feedlot federation, and the meatpacker had capital stock structures. Only seven special sales associations were so organized, but most did not own marketing facilities and their operations required little capital.

MEMBERSHIP STRUCTURE

Cooperatives may be classified as local, centralized, federated, or combination federated-centralized with respect to their membership structure. A local association's members are farmers who reside in a relatively small local area. A centralized association generally serves a larger area, but farmers still have direct membership in the central organization. A federated association usually serves a larger area than a local also, and its only members are other cooperatives. Combined federated-centralized associations have both other cooperatives and individual producers as members.

Over 90 percent of the Southeast livestock cooperatives (181) were locals. Eleven were centralized, and included the five large-scale marketing associations and the meatpacking cooperative. Three had a federated membership structure, two of them State special sales associations and the other a cattle feedlot federation. The combined federated-centralized organization was a large farm supply and marketing cooperative that operated a cattle feedlot. The following tabulation summarizes this information.

Membership structure	*Number of cooperatives*
Local	181
Centralized	11
Federated	3
Combined federated-centralized	1
No answer	4
Total	200

MEMBERSHIP REQUIREMENTS

The cooperatives' membership requirements varied widely. Farmers had to be livestock producers, and in many instances had to buy capital stock or pay an initial or annual fee, or both.

Most capital stock associations required farmers to purchase only a minimal amount of stock. Of 25 reporting, 16 required members to invest amounts ranging from \$1 to \$25 in capital stock. The highest fixed stock-purchase requirement was \$100. Two cattle feedlots required varying levels of stock investment, with a minimum of \$100 and an additional \$15 for every head of cattle the member planned to have the cooperative feed out during a year. Four large-scale marketing cooperatives did not require new members to buy any of their capital stock.

About half the nonstock associations (79) required farmers to pay a membership fee. Nineteen charged an initial fee at the time a producer joined. An additional 39 assessed members an annual fee only, and 21 required both an initial and an annual fee.

The amount of the initial membership fee was negligible, ranging from \$1 to \$10 at nine cooperatives. One assessed a variable fee based on the size of the producer's livestock operation.

Annual membership fees likewise were small, amounting to \$10 or less for 49 associations. Eleven assessed a variable annual fee, again based on size of operation.

Cooperatives that required neither stock purchases nor membership fees were asked how a producer became a member. Of the 70 responding, four-fifths (56) required only that a farmer patronize the association. Six, mostly large-scale marketing cooperatives, automatically made a producer-patron a member after he endorsed the first check he received in payment for livestock sold through the association. Endorsement was considered an application for membership as indicated on the back of the check. However, a producer may refuse membership by notifying cooperative officials.

Three cooperatives required only that members be livestock producers and three others considered as members all producers who belonged to a county livestock association. Only two required producers to make specific application for membership.

MEMBERSHIP IN OTHER COOPERATIVES

A large share of the Southeast associations were organized independently of State, regional, or national federated livestock cooperatives. Only 56 were members of federated cooperatives. All but eight were special sales associations that were members of two State special sales federations.

Four large-scale marketing cooperatives were members of the National Live Stock Producers Association, a national federated livestock cooperative with headquarters in Chicago. This organization does no marketing but provides its member agencies with such services as credit, research, market information, and legal assistance. It also carries on educational work, represents its members in legislative matters, and performs public relations service for them.

OPERATIONS

Southeast cooperatives as a group carry on almost every type of livestock marketing activity imaginable. This section presents information on their operations.

MAJOR ACTIVITY

The major activity of over 90 percent of the cooperatives (182) was marketing livestock. Feeding cattle was the major activity of three of the four feedlots. Three associations—a local auction, a special sales association, and a cattle feedlot—were engaged chiefly in purchasing production supplies for their members. However, the farm supply cooperative that operated a cattle feedlot also marketed a large volume of other farm products. The associations were classified by major activity as shown below.

Major activity	*Number of cooperatives*
Marketing livestock	182
Feeding cattle	3
Slaughtering and meat processing	1
Purchasing production supplies	3
Other	5
No answer	6
Total	200

The "other" major activities were closely related to livestock production and marketing, such as sponsoring county livestock shows, promotion of purebred beef and dairy cattle, encouragement of quality improvement, and various educational activities with livestock producers.

TYPE OF OPERATIONS

Most cooperatives were involved in specialized marketing operations. As table 2 shows, 86 held only special sales for feeder calves or yearlings, or both. Another 46 conducted only special feeder pig sales and six held both special cattle and pig sales. These 138 associations, together with those conducting special slaughter cattle sales (3) and seasonal lamb pools (4), accounted for nearly three-fourths of all cooperatives.

Miscellaneous types of operations were mainly special sales for purebred breeding animals—beef or dairy cattle, hogs, or sheep.

Twenty-six associations conducted more than one type of operation. These operations varied widely, but most were special sales for some type, or types, of livestock. Most common were special feeder cattle sales combined with special feeder pig sales, seasonal lamb pools, special slaughter cattle sales, or a wool pool. Eight cooperatives conducted a wool pool as part of their operations.

Table 2.—Number of Southeast livestock cooperatives carrying on specified types of operations in 1967

Type of operation	Specified operation only	Specified operation together with one or more other types[1]	Total with specified operation
		Cooperatives	
Special feeder cattle sales	86	19	105
Special feeder pig sales	46	10	56
Weekly auction sales	14	6	20
Seasonal lamb pools	4	3	7
Cattle feeding	4	0	4
Special slaughter cattle sales	3	4	7
Concentration yard	1	4	5
Terminal market commission sales	1	3	4
Slaughtering and meat processing	1	0	1
Miscellaneous operations[2]	8	16	24
No answer	6	0	6
Total	[3]174	–	–

[1]Twenty-six cooperatives carried on more than one type of operation. This column gives the number of these cooperatives that carried on the specified operation as part of their combined operations. A cooperative may be counted in more than one cell in this column so a total is not meaningful.

[2]Primarily special sales for purebred breeding animals—beef or dairy cattle, hogs, or sheep.

[3]In addition, 26 cooperatives carried on some combination of the types of operations listed.

Special sales for feeder calves or yearlings were the only operations carried on by 86 Southeast cooperatives.

Four large-scale marketing cooperatives operated on terminal markets where they sold livestock by private treaty. Three also sold livestock through marketwide auctions.

Of the associations that had general marketing operations, 14 held weekly auction sales for all types of livestock. Five large-scale cooperatives generally carried on a wider range of marketing operations.

One large-scale cooperative operated only on a terminal market. It provided commission sales service through private treaty sales or through weekly auction sales sponsored by the stockyards company. It also participated in special feeder calf sales jointly sponsored by all commission firms on the market.

The other four large-scale cooperatives engaged in a variety of operations. One operated three auction markets, one of which was closed in late 1967. It also bought hogs daily at one of these markets. In addition, it carried on an order-buying service for stocker and feeder animals and conducted special feeder calf sales for a local association.

Another cooperative operated a terminal market commission agency, two weekly auction markets, a hog concentration yard, and an order-buying service. Both auction facilities were operated as hog concentration yards on 1 or more days each week. In addition, the cooperative conducted special feeder pig sales for local associations at three locations.

A third large-scale cooperative also operated a terminal market commission firm that sold members' livestock both by private treaty and through marketwide auction sales 2 days a week. Additional operations included two hog concentration yards, a feeder pig assembly yard, and a feeder livestock distribution yard.

The fourth association primarily serves producers outside the area studied. Its marketing operations for Southeast producers are limited to terminal market commission sales and order-buying service. This association likewise participates in regular auction sales at the terminal market, in addition to making private treaty sales.

The four cattle feedlots were engaged in three types of operations: custom feeding, feeding cooperative-owned cattle, and conditioning feeder calves. Three fed members' cattle exclusively on a custom basis.[6] The

[6] In custom feeding the cooperative provides facilities and feeds cattle for a fee. The member retains ownership. He or the cooperative sells the cattle and the member gets the sales price less feedlot and marketing costs.

other one both custom-fed members' cattle and fed cattle owned by the cooperative.[7] The latter association and one other also carried on a conditioning or growing program for feeder calves.

The sole meatpacking cooperative is engaged in slaughtering cattle and hogs. It also produces and distributes a fairly complete line of processed meat products. In addition to a processing plant, it operates four buying stations 1 day a week.

The right-hand column of table 2 shows the total number of cooperatives that carried on the specified operations, either as their only operation or as one of a combination of operations. Over half (105) held special feeder cattle sales and over one-fourth (56) held special feeder pig sales. Twenty held weekly auction sales and five operated concentration yards. Four carried on terminal market operations.

NUMBER OF PRODUCERS SERVED

Southeast livestock cooperatives had over 100,000 members on December 31, 1967. Table 3 shows that 126 of the 200 associations reported an estimated total membership of nearly 98,000. If the 74 nonrespondents had an average membership similar to that of like associations in their State, an estimated 13,000 would be added to the reported membership.

Total membership varied widely by States, reflecting differences in both the number and type of cooperatives. For example, large-scale marketing associations operated in both Kentucky and Mississippi, the two States with the largest membership. Tennessee had a large-scale cooperative and Virginia had the meatpacker; both associations had substantial membership. In addition, Tennessee and Virginia had a large number of cooperatives, though most were special sales associations with small memberships. The presence of several auctions in Alabama accounts for the relatively large membership in that State.

Average membership was extremely small in most States, ranging from 118 in Arkansas to 2,954 in Mississippi. Again, this reflects the type of associations dominant in the region and, more particularly, the type that reported their membership. Those that carried on general marketing operations throughout the year usually had a larger membership than special sales associations.

[7] Cattle were purchased from local member-producers and fed and sold in the cooperative's name. The cooperative received any margin on the cattle and returned it to the participating members.

Table 3.—Estimated total and average number of members and patrons of Southeast livestock cooperatives, by State, 1967[1]

State	Members			Patrons		
	Cooperatives reporting	Total	Average per cooperative	Cooperatives reporting	Total	Average per cooperative
	Number					
Alabama	10	5,827	583	12	6,829	569
Arkansas	9	1,065	118	12	1,278	106
Florida	4	724	181	4	485	121
Georgia	4	594	148	5	2,899	580
Kentucky	16	28,298	1,769	26	29,534	1,136
Louisiana	8	1,291	161	14	1,450	104
Mississippi	11	32,500	2,954	15	13,698	913
North Carolina	6	862	144	6	875	146
South Carolina	2	1,963	982	6	804	134
Tennessee	24	11,057	461	36	11,854	329
Virginia	27	11,876	440	42	6,034	144
West Virginia	5	1,728	346	7	2,004	286
Total or average	126	97,785	776	185	77,744	420

[1] Membership as of December 31, 1967, and number of patrons served during 1967. For cooperatives that handled livestock for farmers outside the 12-State area, only members and patrons residing in the Southeast were counted.

It was estimated that Southeast cooperatives marketed, fed, or slaughtered livestock for nearly 78,000 producers in 1967 (table 3). The total number of patrons ranged from 485 in Florida to over 29,000 in Kentucky.

Some members obviously did not use their cooperative in 1967. Also, some patrons were not members since at least a fifth of the associations handled livestock for nonmembers. This practice was most widespread among auctions and large-scale marketing cooperatives.

Like average membership, the average number of patrons was small. The average association in six States handled livestock for fewer than 150 producers.

Again, the average number of patrons varied by type of cooperative. Despite their small number, the large-scale marketing associations served over half of all patrons. The following tabulation shows the average number of patrons per cooperative.

Type of cooperative	*Average number of patrons per cooperative*
Local auction	869
Special sales association	119
Concentration yard	390
Large-scale marketing	8,756
Meatpacking	1,970
Cattle feedlot	90
All cooperatives	420

A total of 632,654 farm operators in the 12 States reported selling livestock in 1964. Assuming the number of producers was the same in 1967,[8] cooperatives handled livestock for an estimated 12 percent of all producers during that year (table 4). This percentage varied from 1 percent in North Carolina to 31 percent in Kentucky.

We also conclude that, on the whole, Southeast associations handled livestock for the smaller-than-average producers. While they served 12 percent of the producers, they handled only 10 percent of the livestock marketed (table 4). In half the States, the percentage of producers served exceeded the percentage of livestock handled. Cooperatives in Arkansas and South Carolina appeared to be serving the average-size producer, while those in Florida, Georgia, North Carolina, and Virginia apparently handled livestock for producers above average in size.

Table 4.—Percentage of livestock producers served and percentage (by value) of livestock handled by cooperatives in the Southeast, 1967

State	Number of cooperative patrons in 1967 as a percentage of number of farm operators selling livestock in 1964	Value of livestock handled by cooperatives as a percentage of farmers' total cash receipts from livestock in 1967
	Percent	
Alabama	13	6
Arkansas	3	3
Florida	3	4
Georgia	5	8
Kentucky	31	18
Louisiana	4	1
Mississippi	21	19
North Carolina	1	5
South Carolina	3	3
Tennessee	13	11
Virginia	12	21
West Virginia	8	7
Average	12	10

Sources: Tables 3 and 5 and appendix table 1.

VOLUME

Cooperatives marketed, fed, or slaughtered $154 million worth of livestock in 1967 (table 5). In addition, they marketed 147,500 pounds of wool valued at $75,000.

Hogs and pigs were the largest volume species handled, totaling 1,230,000 head. However, the 820,500 cattle and calves handled represented 71 percent of the total dollar volume. Cooperatives marketed only a small volume of sheep and lambs, reflecting the limited production in the Southeast.

Kentucky stood first in total dollar volume—cooperatives handled nearly $43 million worth of livestock. The next three largest value States were Mississippi, Tennessee, and Virginia, each with over $20 million. The combined dollar volume in these four States was nearly three-fourths of that of all Southeast associations.

[8] We must also assume that the number of farm operators reporting livestock sales is the same as the number of livestock producers who would be potential patrons. This may not be a valid assumption, especially in the case of a partnership or sharecropping arrangement. The Bureau of the Census classifies only one of the persons involved as a farm operator, but two or more persons may actually be selling livestock.

Table 5.—Estimated number of cattle, hogs, sheep, and other livestock and total value of all livestock handled by cooperatives in the Southeast, by State, 1967

State	Cattle and calves	Hogs and pigs	Sheep and lambs	Other livestock	Total value of all livestock
	Head				*1,000 dol.*
Alabama	44,500	177,100	500	5,600	9,351
Arkansas	23,000	7,600	0	0	2,822
Florida	23,400	21,100	0	0	5,794
Georgia	50,700	76,300	600	0	11,554
Kentucky	166,400	318,500	22,400	0	42,532
Louisiana	5,900	44,400	1,700	0	1,235
Mississippi	258,000	76,200	2,400	4,300	29,198
North Carolina	28,000	54,700	1,700	300	6,165
South Carolina	4,400	14,300	0	0	1,445
Tennessee	112,100	324,300	7,600	400	21,554
Virginia	92,200	115,300	0	0	20,903
West Virginia	11,900	500	19,800	0	1,865
Total	820,500	1,230,300	56,700	10,600	154,418

The importance of these States is due to several factors. First, they had the most cooperatives. Second, the large-scale marketing associations and the meatpacker operated in these States. Third, the volume included more cattle, which have a higher value per head than other livestock.

Mississippi cooperatives handled the most cattle and calves—55 percent more than the next largest State. Tennessee led in hog volume, followed closely by Kentucky. Over half of Tennessee's volume was feeder pigs, however, while most of Kentucky's was slaughter hogs. Kentucky associations handled the most sheep and lambs.

Cooperatives were not a major factor in the Southeast's overall livestock marketing system. Their total dollar volume represented an estimated 10 percent of the value of all livestock marketed in the region (table 4). This proportion ranged from 1 percent in Louisiana to 21 percent in Virginia, but was 8 percent or less in eight States.

The overall picture is unchanged when based on number rather than value of livestock. Cooperatives handled only 10 to 11 percent of the total number of each species marketed (table 6).

The percentage of the number of livestock that cooperatives handled varied widely by State and species. They handled 1 to 25 percent of the cattle and calves, 1 to 20 percent of the hogs and pigs, and 0 to 34 percent of the sheep and lambs. The variation was greatest in Louisiana, where they marketed 1 percent of the cattle, 20 percent of the hogs, and 34 percent of the sheep. In some instances, cooperatives were most active in hand-

Table 6.—Number of livestock marketed in the Southeast and estimated percentage handled by cooperatives, by State and species, 1967

State	Number marketed			Percentage handled by cooperatives		
	Cattle and calves	Hogs and pigs	Sheep and lambs	Cattle and calves	Hogs and pigs	Sheep and lambs
	1,000 head			*Percent*		
Alabama	729	1,103	4.5	6	16	10
Arkansas	690	392	5.5	3	2	0
Florida	939	357	2.7	2	6	0
Georgia	636	1,855	2.1	8	4	27
Kentucky	1,069	1,842	144	16	17	16
Louisiana	862	217	5	1	20	34
Mississippi	1,042	567	7	25	13	34
North Carolina	373	2,180	11	8	3	14
South Carolina	230	562	1.1	2	3	0
Tennessee	987	1,646	60	11	20	13
Virginia	521	590	169	18	20	0
West Virginia	186	78	134	6	1	15
Total or average	8,264	11,389	545.9	10	11	10

Source: Livestock and Meat Statistics—Supplement for 1967. U.S. Dept. Agr., Statis. Bul. 333, June 1968.

ling the species that is least important in the State's livestock industry.

Large-Scale Marketing Cooperatives

Few large-scale marketing associations operated in the Southeast, but they were an important part of the cooperative marketing structure. Their combined dollar volume represented 47 percent of the total value of livestock handled cooperatively. They marketed 49 percent of the cattle and calves, 37 percent of the hogs and pigs, and 56 percent of the sheep and lambs handled by all associations. In the States where they operated they marketed as much as 80 percent of the cattle, 93 percent of the hogs, and 100 percent of the sheep handled cooperatively, as shown in the following tabulation.

State	*Percent of cooperative volume handled by large-scale associations*		
	Cattle	*Hogs*	*Sheep*
Kentucky	78	93	100
Mississippi	80	29	99
Tennessee	54	44	88

Local Auctions

Local auctions accounted for about a fifth of the cooperative cattle and hog volume and a third of the sheep volume in the region. However, they comprised an important part of the cooperative structure in Alabama, Georgia, and North Carolina.

Auction volume was converted into marketing units to permit comparisons between associations. One marketing unit is equal to one head of cattle and calves, or five hogs and pigs, or five sheep and lambs.

The 14 local auctions reporting had an average volume of 16,156 marketing units in 1967, but many marketed substantially fewer. Six handled less than 10,000 units, the equivalent of less than 200 cattle a sale if they operated once a week. Only two handled 30,000 or more marketing units, with the largest handling 50,704. This information is summarized in the following tabulation.

Number of marketing units handled	*Number of auctions*
0- 9,999	6
10,000-19,999	3
20,000-29,999	3
30,000-39,999	1
40,000 or more	1
Total	14

A study of optimum market location in Ohio[9] concluded that an auction must handle at least 30,000 marketing units annually to operate most efficiently. The study also indicated that average marketing costs per unit decline little after annual volume reaches about 40,000 marketing units. However, the study—devoted to marketing costs—did not attempt to evaluate the volume necessary to attract adequate buying competition and to permit effective merchandising.

These findings indicate that only two of the 14 local auction cooperatives in the Southeast handled a large enough volume to operate efficiently. The other 12 handled less than 30,000 marketing units, and substantially less in most instances. In addition, their volume may be somewhat overstated in relation to the optimum volume determined in the Ohio study. That study used one head of cattle or two calves as a marketing unit. Since the Southeast auctions did not report cattle and calves separately, they were given equal weight in calculating marketing units in this study.

Special Sales Cooperatives

Special sales associations were the dominant type in the Southeast. However, they marketed only 27 percent of the cattle and calves and 33 percent of the hogs and pigs handled cooperatively (table 7). Most of this volume was feeder cattle and feeder pigs.

These associations were an important part of the cooperative marketing structure in several States. They marketed all the cattle handled in Arkansas, Louisiana, and South Carolina, and all the hogs and pigs in Louisiana (table 7).

Special sales cooperatives sold an average of 1,057 feeder cattle in each of their 1967 sales. Average sale volume ranged from 388 in Georgia to 1,336 in West Virginia (table 8). In seven States the average sale volume exceeded 1,000 head.

Fifteen percent of the individual associations had an average sale volume of less than 500 cattle and 38 percent sold an average of 500 to 999. Only 4 percent

[9] Miller, E. A., and G. F. Henning. Suggested Location of Ohio Livestock Markets to Reduce Total Marketing Costs. Res. Bul. 981, Ohio Agr. Res. and Dev. Ctr., Wooster. Feb. 1966.

Table 7.—Estimated number of cattle and feeder pigs marketed by special sales associations and special sales associations' marketings as a percentage of all cattle and hogs handled by Southeast cooperatives, 1967

State	Special cattle sales[1]		Special feeder pig sales	
	Number of cattle marketed	Percentage of all cattle handled cooperatively	Number of feeder pigs marketed	Percentage of all hogs and pigs handled cooperatively
	Head	*Percent*	*Head*	*Percent*
Alabama	0	0	77,252	44
Arkansas	22,986	100	0	0
Florida	0	0	0	0
Georgia	438	1	2,474	3
Kentucky	32,184	19	2,500	1
Louisiana	5,909	100	44,408	100
Mississippi	2,590	1	44,597	59
North Carolina	12,748	45	16,000	29
South Carolina	4,394	100	1,704	12
Tennessee	50,763	45	183,182	56
Virginia	79,862	87	38,686	34
West Virginia	8,021	68	([2])	([2])
Total or average	219,895	27	410,803	33

[1] Includes special sales for feeder calves and yearlings, slaughter cattle, and purebred breeding cattle.
[2] Volume unavailable.

averaged more than 2,000 head, as the following tabulation shows.

Feeder cattle per sale	*Percent of cooperatives*
0- 499 head	15
500- 999 head	38
1,000-1,499 head	31
1,500-1,999 head	12
2,000-2,999 head	4
Total	100

An earlier FCS study of feeder cattle pooling[10] indicated that 500 to 1,000 cattle are needed before starting a pooled feeder cattle sale. On this basis, it appears that most Southeast associations had adequate sale volumes in 1967. However, considering the nature of the cattle feeding industry today, this minimum volume may not be sufficient. Cattle feeding operations rapidly are becoming larger and Southeast feeder cattle are being shipped greater distances for feeding. Therefore, larger sale volumes may be necessary to attract adequate buying competition.

Table 8.—Average number of feeder cattle and feeder pigs sold per sale by special sales cooperatives in the Southeast, 1967

State	Feeder cattle	Feeder pigs
	Head	
Alabama	0	1,332
Arkansas	1,095	498
Florida	0	0
Georgia	388	495
Kentucky	1,110	833
Louisiana	844	1,057
Mississippi	1,295	769
North Carolina	1,255	1,455
South Carolina	549	568
Tennessee	1,015	1,104
Virginia	1,085	879
West Virginia	1,336	([1])
Average	1,057	1,051

[1] Volume unavailable.

Special sales associations sold an average of 1,051 pigs in each of their 1967 sales. Average sale volume ranged from 495 pigs in Georgia to 1,455 in North Carolina (table 8). It exceeded 1,000 pigs in only four States.

[10] Stevens, I. M., and J. T. Haas. Feeder Cattle Pooling—Improved Marketing Through Grading and Commingling. U.S. Dept. Agr., Farmer Cooperative Serv., Mktg. Res. Rpt. 565, 1962.

Two-thirds of the associations had average sale volumes of less than 1,000 pigs. Only one sold an average of 2,000 or more. Percentages of cooperatives by average sale volumes are shown below.

Feeder pigs per sale	*Percent of cooperatives*
0- 499	23
500- 999	44
1,000-1,499	21
1,500-1,999	10
2,000-2,499	2
Total	100

An FCS study of feeder pig pooling[11] found that a minimum sale volume of 1,000 pigs is needed to attract buying competition, permit effective merchandising, and cover operating costs from marketing charges. Two-thirds of the Southeast cooperatives had average sale volumes lower than this minimum.

Cattle Feedlots

Cooperative feedlots fed out 34,512 cattle in 1967. They also put more than 2,800 calves through growing or conditioning programs. Custom-fed cattle accounted for 73 percent of the total volume and the rest were owned by the association. Individual feedlot volume ranged from 4,854 to 15,200. These were relatively small operations compared with the large commercial feedlots in other areas.

FREQUENCY OF OPERATION

Most local auctions operated once a week, except when their regular sale day coincided with an important holiday. Two auctions held only 34 and 37 sales, respectively, during 1967. Two others held special feeder cattle or feeder pig sales, or both, in addition to their weekly auction sales, and one of these also bought slaughter hogs daily.

Special sales associations generally operated much less frequently than local auctions. Those handling feeder cattle primarily operated in the spring or the fall, holding one to six sales in 1967. However, over half held only one sale and 86 percent held three or fewer. The Tennessee and Virginia cooperatives tended to have more sales than those in other States. Cooperatives were classified by number of cattle sales as shown below.

Number of cattle sales	*Number of cooperatives*
1	53
2	17
3	19
4	10
5 or 6	4
Total	103

Feeder pig associations usually held more sales than those handling feeder cattle, largely due to differences in the production process. They held as many as 52 sales in 1967, although nearly two-thirds of them held six or fewer. About one-fifth held 10 to 12 sales, or about one sale a month, as shown in the following tabulation.

Number of pig sales	*Number of cooperatives*
1 to 6	34
7 to 12	16
13 to 26	2
27 to 52	2
Total	54

For the most part, feeder pig sales were scattered more evenly throughout the year than feeder calf sales. Therefore, the pig associations had greater continuity of operations and more frequent contact with members.

All the large-scale marketing cooperatives operated daily at one or more market locations. Four provided marketing services 5 days a week on terminal markets. Two each operated two auctions 1 day a week. Three operated a total of six concentration yards, four of which purchased hogs from members 5 or 6 days a week. One operated 4 days a week and the other only 1 day.

The only independent concentration yard operated 1 day a week. The meat packer purchased livestock 5 days a week at its plant and 1 day at each of its four buying stations.

METHOD OF SALE

Southeast cooperatives sell livestock by a variety of methods, including auction, telephone auction, private treaty, sealed bid, and telephone. Some use only one method while others use several.

[11] Haas, J. T. and I. M. Stevens. Feeder Pig Pooling—Improved Marketing Through Grading and Commingling. U.S. Dept. Agr., Farmer Cooperative Serv., Mktg. Res. Rpt. 566, 1962.

The auction was the most widely used method of sale—181 cooperatives sold all or part of their livestock by auction (table 9). Most local auctions and special sales sold all their livestock by auction. One special sales association sold part of its feeder pigs by auction and the rest under a contract with a feeder at a predetermined price.

Four special sales associations sold feeder pigs and lambs by private treaty. Six other cooperatives used private treaty as one method of sale. Four of these were large-scale marketing agencies that operated on terminal markets where private treaty is the traditional method of sale.

Telephone auction was used primarily to sell feeder pigs, slaughter hogs, and lambs at special sales. The large-scale cooperatives sold by telephone the slaughter hogs purchased at their concentration yards. Only one association sold livestock by sealed bid, this being a concentration yard that held weekly sealed bid sales for slaughter hogs.

USE OF POOLING

Pooling is a method of handling at the market whereby animals of a given market class, such as feeder cattle, are weighed, graded, and penned with other producers' animals of similar weight, quality, and other physical characteristics. Each group of pooled animals is sold as one lot and individual producers are paid for the weight of their animals at the price of the pooled lot.

Special sales associations used pooling to the greatest extent. Ninety-two sold feeder cattle in pooled lots and 48 sold feeder pigs this way. A few also pooled slaughter cattle, slaughter hogs, or sheep and lambs.

Few local auctions pooled livestock, except at special sales. Three regularly pooled veal calves and six pooled slaughter hogs. Large-scale marketing cooperatives likewise did little pooling other than for special feeder cattle sales.

CONTRACTUAL ARRANGEMENTS

Most cooperatives had no contractual arrangements, either with members or with livestock buyers. Only 29 had marketing contracts or agreements with their members, 27 of them special sales associations.

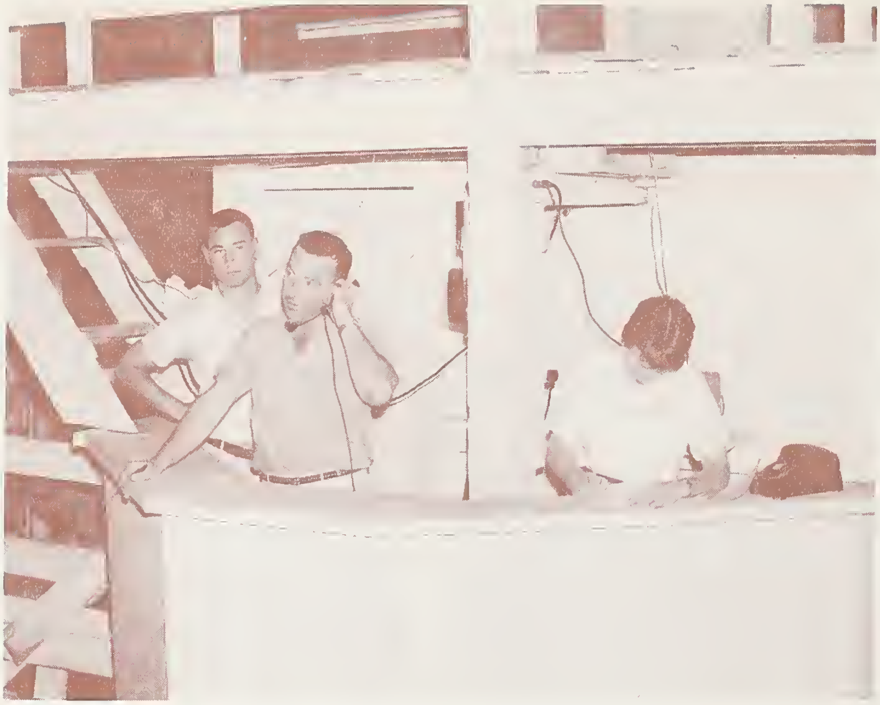
Fifteen feeder cattle associations required members to sign marketing contracts. Fourteen wrote the contract for each special sale and the other one for 1 year. These contracts required the member to sell a stated number of cattle in the sales held during the contract period.

Twelve special sales associations required feeder pig producers to sign a marketing agreement. As in the case

Table 9.—Number of cooperatives in the Southeast that sold livestock by various methods, by type of cooperative, 1967

Method of sale	Special sales associations	Local auctions	Large-scale marketing cooperatives	Concentration yards	Total
			Number		
Auction	152	16	0	0	168
Auction and telephone auction	4	1	0	0	5
Private treaty	4	0	0	0	4
Auction and private treaty	2	0	2	0	4
Telephone auction	2	0	0	0	2
Private treaty, auction and telephone	0	0	2	0	2
Sealed bid	0	0	0	1	1
Auction and telephone	0	0	1	0	1
Auction and contract	1	0	0	0	1
Telephone and telephone auction	1	0	0	0	1
No answer	0	1	0	0	1
Total	166	18	5	1	[1]190

[1]The question on method of sale was not applicable to 10 cooperatives—5 federations, 4 fecdlots, and the meatpacker.



Southeast cooperatives used the telephone auction system only to a limited extent to sell feeder pigs, slaughter hogs, and lambs, mostly at special sales where animals were pooled.

of feeder cattle, 11 wrote the contract for each special sale and the member agreed to sell a stated number of pigs. One contract allowed the member to fulfill his obligation by delivering at least 90 percent of the number of pigs contracted. Another contract remained effective until canceled by one of the parties. It required that members market through the cooperative all feeder pigs produced, except those sold for breeding.

One auction and one concentration yard also used member marketing agreements. The auction's contract provisions were not reported. The other contract continued in force as long as the producer was a member and required him to market through the cooperative all slaughter hogs produced.

Contracts with buyers for the purchase of livestock were almost nonexistent. Only three special sales associations had any type of contract, and two used them to market only part of their volume. One had a verbal agreement to supply pigs to a hog feeder at a stated pricc. Another had a verbal agreement with a buyer to purchase all its lambs and veal calves at the going market price.

FEEDLOT OPERATIONS

All cooperative feedlots provided a custom feeding service on a fee basis. None required members to sign a feeding contract, although one feedlot had a contract it was not using.

The association provided facilities and feed, and fed and cared for the cattle. Each producer's cattle were penned separately, and feed and services used were charged directly to each owner.

The fee system for custom feeding services was fairly uniform among feedlots. Feeders paid a daily yardage fee of so much per head, plus actual cost of feed ingredients, plus a markup per ton of feed. In addition, the feeder paid for veterinary services.

While the system of fees was uniform, the actual fees charged varied widely. The daily yardage charge varied from 1 to 8 cents a head. Three cooperatives charged a fixed feed markup ranging from $6 to $10 a ton, and one charged a markup of 3 percent of feed cost, plus $9 a ton. Two billed members semimonthly and the other two billed at the end of the feeding period.

Three feedlots purchased all their feed ingredients from commercial sources. The other one was owned by a large farm supply-marketing cooperative that furnished the feed already processed from one of its local feed mills. None contracted with local farmers for production of feedstuffs.

One cooperative primarily fed cattle it owned. It purchased these cattle from member-producers in the local area. At the end of the fiscal year these members received partronage refunds representing their share of net margins from the feeding operation.

Two cattle feeding associations carried on conditioning or growing programs for feeder calves. One fed light calves a high roughage ration in its feedlot to bring them up to the weight and condition desirable for concentrated feeding. It then sold them to other feedlots for finishing.

The other cooperative purchased light calves and contracted with local farmers to develop them to an average weight of 750-800 pounds. It then finished them in its feedlot.

Contract farmers received so much per pound of gain put on the calves. The payment rate varied with the calves' daily rate of gain. Producers received an additional fee if they branded, treated, and wormed the calves.

All feedlots provided a marketing service for custom-fed cattle. In 1967, the management of three marketed all cattle fed for members. The other one marketed an estimated 75 percent of the cattle and the member-owners marketed the rest. Three charged marketing fees of 1 percent of sale value, 2 percent of sale value, and $1 a head, respectively.

Cooperative feedlots sold direct to packers all cattle they marketed, both custom-fed cattle and those they owned. Three sold all cattle on a live weight basis, although one guaranteed a minimum carcass yield on its own cattle. The other feedlot sold an estimated 40 percent of the cattle on a carcass grade and weight basis and the rest on live weight. None had contracts with buyers.

FACILITIES

Southeast cooperatives used a variety of facilities to feed, market, and slaughter their members' livestock. Some owned their facilities, some rented or leased them, and others used both owned and nonowned facilities. They owned facilities with an estimated current market value of $5.3 million.

MARKETING

Cooperatives owned about one-fourth of the facilities (52) they used for marketing livestock (table 10). Of these, 48 were auction type with stockyards and an auction pavilion.

Ownership of facilities depended to a great extent on the type of cooperative. All local auctions and the concentration yard owned their facilities. Large-scale marketing associations owned about one-third of theirs; four operated on terminal markets and used facilities owned by the stockyards company.

Special sales cooperatives owned only one-sixth (29) of the facilities they used. Nearly all were auction-type facilities, reflecting the method of sale most often used. Ten were on public property, such as fairgrounds, although the association owned all or a major part of the buildings and equipment.

Almost four-fifths of the nonowned facilities used by special sales cooperatives were local sale barns, or auction markets. They were rented for special sales or the auction firm conducted sales for the organization and received a commission on the livestock marketed.

The remaining one-fifth of the nonowned facilities were publicly owned, such as State, county, and municipal fairgrounds. The cooperatives often used them rent free or paid only for the utilities.

Unlike local auctions and large-scale marketing agencies, most special sales associations need facilities only a few days a year. Therefore, it is uneconomical for them to have a large investment in buildings and equipment, particularly if other suitable facilities are available at a reasonable cost.

Table 10.—Number of facilities used by Southeast cooperatives to market livestock, by type and ownership of facilities, 1967

Type of cooperative	Owned facilities			Nonowned facilities						
	Stock-yards only	Stockyards with auction pavilion	Total	Local sale barns	Public facilities	Stock-yards only	Stockyards with auction pavilion	Terminal stock-yards	Other	Total
	Number									
Special sales association	3	[1]26	29	106	26	0	0	0	3	135
Local auction	0	18	18	0	0	0	0	0	0	0
Large-scale marketing cooperative	0	4	4	0	0	4	1	4	0	9
Concentration yard	1	0	1	0	0	0	0	0	0	0
Total	4	48	52	106	26	4	1	4	3	144

[1] Includes 10 facilities owned by cooperatives but built on public property such as county fairgrounds.

The special sales associations using local sale barns were asked what sale functions the auction firm performed. Of the 104 reporting, 31 said the sale barn advertised their special sales (table 11). Auction management provided all or part of the yard labor, collected from buyers, and paid producers for 76. In 63 instances it provided the auctioneer, either itself or jointly with the cooperative. The auction kept all sales records for 74 and helped three others with recordkeeping.

SLAUGHTERING AND PROCESSING

The meatpacking cooperative owns the plant where it slaughters members' livestock, processes meat products,

Most special sales associations did not own the facilities they used to market livestock. Renting the facilities of a local auction market for the special sale was the common practice of most of these cooperatives.

Table 11.—Number of special sales cooperatives in the Southeast for which a local sale barn performed specified sale functions, 1967

Function performed by sale barn	Number of cooperatives
Advertised sales	31
Provided yard labor	[1]76
Provided auctioneer	[2]63
Kept sale records	[3]77
Collected from buyers	76
Paid producers	76

[1]18 reported both the sale barn and the cooperative provided labor.
[2]5 reported the sale barn and the cooperative jointly provided the auctioneer.
[3]3 reported both the sale barn and the cooperative kept sale records.

and renders edible and inedible offal. Included are livestock buying and holding facilities. In addition, it owns two buying stations and leases two that have facilities for receiving, weighing, holding, and shipping livestock.

CATTLE FEEDING

Three cattle feeding cooperatives operated in leased facilities. The other owned its feedlot, but leased the land under a long-term agreement.

The leased feedlots included feeding pens, a feed processing plant, and feed ingredient storage facilities. The owned feedlot had no feedmill or feed storage facilities. The one-time feeding capacity of the four feedlots ranged from 2,000 to 18,000 cattle. Two had a capacity of less than 5,000.

SERVICES

Cooperatives furnished producers a wide assortment of services. For this discussion, they have been divided into production, marketing, and other services.

PRODUCTION

The production service furnished most frequently was vaccination of livestock, either on the farm or at the market (table 12). Special sales cooperatives furnished the only on-farm vaccination service and 43 also vaccinated at the market. Nearly half the local auctions and three-fifths of the large-scale marketing associations also vaccinated at the market.

A few furnished a spraying or dipping service, usually at the market. Only two dehorned cattle or castrated livestock for members.

Table 12.—Number of Southeast livestock cooperatives that furnished producers various production services, by type of cooperative, 1967

Service	Local auctions	Special sales associations	Large-scale marketing cooperatives	Cattle feedlots	Other	Total
			Number			
Vaccination on the farm	0	21	0	0	0	21
Vaccination at the market	8	43	3	0	1	55
Spraying or dipping on the farm	0	3	0	0	0	3
Spraying or dipping at the market	5	6	1	0	1	13
Castration	0	1	1	0	0	2
Dehorning	0	0	2	0	0	2
Selection of breeding stock	1	9	4	0	3	17
Procurement of breeding stock	2	7	4	0	2	15
Procurement of production supplies	1	2	1	3	0	7
Production financing	0	0	3	0	0	3
Management counseling	0	0	3	0	0	3
Other[1]	2	14	0	0	1	17

[1]Includes inspection of livestock for sale requirements, blood testing, provision of health certificates, freeze branding, and provision of educational information on production.

Only a few cooperatives furnished members a spraying or dipping service, and only then at the market.

Seventeen cooperatives selected breeding animals and 15 purchased them. Four of the five large-scale marketing associations provided their members these services.

Only seven organizations purchased production supplies. Three were cattle feedlots that offered no other production service except feeding cattle.

A very important service in this age of high capital requirements is financing livestock enterprises. Three large-scale marketing associations furnished some production financing through their own credit companies or through credit companies owned jointly with other cooperatives. Three also provided management counseling on production problems.

MARKETING

The primary marketing service was commission sales of livestock. All but two marketing cooperatives and all cattle feedlots sold members' livestock on a commission basis (table 13). In addition, two local auctions and four large-scale marketing associations purchased livestock outright—primarily hogs—and resold it to buyers. One special sales organization offered only a purchase and resale marketing service.

All large-scale cooperatives and three feedlots purchased feeder livestock for members. Thirty associations of all types, except the concentration yard, made on-farm appraisals of market livestock. Market information was furnished by 37.

A few organizations furnished other services, such as trucking, management of purebred swine sales, and futures trading. Three large-scale associations provided assistance in using the futures market for either hedging or speculating. Two of them handled futures transactions through a subsidiary company of the National Live Stock Producers Association, of which they are members.

In summary, large-scale cooperatives furnished producers a fairly complete program of marketing services. Most others furnished only limited services.

OTHER SERVICES

A very few organizations furnished other types of services. Five, three of them large-scale associations, carried on educational programs. The large-scale and meatpacking cooperatives all represented their members at the State or national level, or both, on legislative and

Table 13.—Number of Southeast livestock cooperatives that furnished producers various marketing services, by type of cooperative, 1967

Service	Local auctions	Concentration yards	Special sales associations	Large-scale marketing cooperatives	Meat-packers	Cattle feedlots	Total
				Number			
Commission sales	18	1	164	5	0	4	192
Purchase and resale	2	0	1	4	0	0	7
Procurement of feeder livestock	0	0	0	5	0	3	8
Herd dispersal sales	0	0	0	1	0	0	1
On-farm appraisal	2	0	20	5	1	2	30
Market information	4	0	27	5	0	1	37
Trucking	1	0	5	0	0	0	6
Futures trading	0	0	0	3	0	0	3
Sale management	0	0	1	0	0	0	1

[1] Commission sales made both direct from the farm and at the market by 4 large-scale marketing cooperatives.

other matters of interest to them. Often this was done through other organizations such as the National Live Stock Producers Association, cooperative councils, or meatpacking trade associations.

The federated cooperatives in the Southeast provided services needed by their member cooperatives. One State special feeder cattle sales association coordinated sale dates of individual members, advertised all sales, solicited prospective buyers for all sales, and published sale results.[12] It also hired livestock graders and provided

[12] Another State feeder cattle sales association that has a centralized structure also provides these services for local cooperatives. In addition, a centralized State feeder pig sales association provides all these services, except publishing sale results.

Few Southeast cooperatives carried on educational programs for their members. Live hog grading demonstrations are an educational service other cooperatives often provide.

sale supplies, such as hip tags and record forms. Another special sales federation offered no services except auditing its members' financial records and coordinating efforts to solve their common problems.

The federation of feedlots was not actively functioning in 1967. However, it was organized to provide centralized organizational, legal, accounting, and financing services for its member cooperatives.

OPERATING RESULTS

A total of 136 cooperatives reported financial information on their 1967 operations. Of these, 104 had net margins, 23 had net losses, and nine broke even. Total net margins were nearly $372,000 (table 14). In other words, Southeast producers saved nearly $372,000 by using their cooperatives to feed, market, and slaughter and process their livestock.

Table 14.—Total and average annual net margins of Southeast livestock cooperatives and amount of cash refunds paid to patrons, by type of cooperative, 1967

Type of cooperative	Annual net margins		Total patronage refunds paid in cash
	Total	Average per cooperative	
	Dollars		
Large-scale marketing cooperative	80,686	16,137	3,544
Local auction	58,557	3,445	2,454
Special sales association	49,473	462	8,905
Cattle feedlot	13,188	4,396	8,201
Other	169,882	42,470	37,530
Total or average	371,786	2,734	60,634

Large-scale marketing associations that handled a substantial volume of livestock had the largest average annual net margins—slightly over $16,000 each. However, two had net losses in 1967.

Cattle feedlots had the second highest average, $4,396. Only three reported their operating results and one had a net loss. Local auctions had average net margins of $3,445. Individual auctions' operating results varied widely, however, from a net loss of $45,000 to net margins of $45,000. Of the 17 auctions reporting, 13 had net margins.

Special sales cooperatives realized average net margins of only $462 each. This is to be expected since they handled a relatively small volume of livestock. Also, over half were organized as nonprofit associations or corporations and plan to keep their income at about the level of their expenses.

Of the 107 special sales cooperatives reporting, 82 had net margins ranging from $14 to $6,300. However, 52 had net margins of $500 or less. Sixteen had net losses of up to $9,700 and nine broke even.

Both the concentration yard and the meatpacker had net margins in 1967. Two State special sales associations also had net margins.

The cooperatives that operated profitably in 1967 had total net margins of $516,369. They paid $58,180 of this amount to their patrons as cash refunds. In addition, two that had net losses paid cash refunds of $2,454. Thus, Southeast livestock producers received a total of $60,634 in cash patronage refunds from their cooperatives.

Only a small number of associations paid cash patronage refunds. Of the 104 that had net margins, 11 paid cash refunds. Eight were special sales cooperatives. One large-scale marketing agency, one cattle feedlot, and the meatpacker also paid cash refunds.

CONCLUSIONS

The substantial growth of the Southeast's livestock industry suggests greater opportunity for the further development of cooperative activity. However, livestock producers and their cooperatives have failed to take full advantage of these opportunities to expand their influence in the marketing of livestock.

Although cooperative activity has increased over the last two decades, Southeast producers still market only about 10 percent of their livestock through cooperatives. In addition, the cooperative market structure is highly fragmented, made up chiefly of many small, part-time associations. The small volumes handled and the lack of coordination between cooperatives limit their effectiveness in helping farmers improve their bargaining strength.

Five large-scale associations marketed nearly half the livestock handled cooperatively in the region and are an effective market force in their operating areas. However, since they served producers in only three of the 12 States, they need to consider extending their services to producers outside their present operating territory. Other associations in the region need to reorient their operations to serve the needs of the Southeast's new breed of commercial livestock producers.

NEED FOR CONSOLIDATION

Some areas appear to have become overpopulated with livestock cooperatives. For example, in southern Alabama, six auctions operate independently in five adjacent counties. In areas of several States, producers in each county have their own feeder cattle sales association. Other counties have separate organizations for feeder calves and yearlings, for different breeds of feeder cattle, or for feeder cattle and slaughter cattle. In addition, many counties have feeder pig sales associations that operate independently of those for feeder cattle.

This large number of cooperatives, each serving a limited area and operating independently, results in reduced volume for each and higher overhead costs per animal marketed. For auctions, at least, it also results in inefficient use of facilities and equipment. In all cases, the lower volume reduces the association's effectiveness in providing a competitive market for members' livestock.

Cooperatives need to consider consolidating their operations to provide producers more efficient and effective services. Consolidation of smaller associations with existing large-scale cooperatives should be considered as a way to broaden services in many areas and to reduce overpopulation.

SERVICES IN HEAVY PRODUCTION AREAS

The majority of cooperatives were in heavy production areas. However, most provided only limited marketing services on a part-time basis. Consequently, producers in these areas had no cooperative marketing services available during most of the year.

Producers in several concentrated production areas (see figures 2-5) did not have access to cooperative marketing services at all. Also, it appears that a number of associations are located in areas of sparse livestock production, an important factor contributing to their low volume.

Producers in heavy production areas now lacking cooperative services have several alternatives. Perhaps their best alternative is to encourage the existing large-scale associations to extend their operations into these areas. A second is to request other existing organizations, such as large farm supply cooperatives, to furnish livestock marketing services. Or, they may start a new association, which might build new facilities or purchase a marketing firm that already has acceptable facilities constructed. In any event, development of successful cooperative services in these areas will require the interest and support of local producers.

SCOPE OF OPERATIONS

For the most part, cooperatives serving Southeast livestock producers are engaged in highly specialized operations. The majority are special sales associations that handle only one type of livestock, such as feeder calves or pigs. They usually restrict their sales to animals meeting certain grade standards and other requirements. In addition, they provide marketing services only at limited times during the year.

These organizations have been effective in accomplishing their original purposes. Now they need to broaden the scope of their operations to provide marketing services designed to meet the needs of farmers, regardless of the type of livestock they produce, or when it is ready for market. Existing associations and their members will need to reorient their thinking to the concept of providing complete marketing services.

Southeast cooperatives also are specialized with respect to the agribusiness activities they carry on. Most are engaged only in livestock feeding, marketing, or slaughtering and processing, and only to a limited extent. A few market other commodities and purchase production supplies. The large farm supply associations in the region are not involved in livestock marketing, except for two that handle a limited volume. These organizations, with their large membership base and their history of successful operations, could make substantial contributions to cooperative livestock marketing. They need to evaluate the opportunities for providing marketing services to livestock producers, many of whom they already serve in other ways.

RANGE OF SERVICES

With the exception of the large-scale marketing associations, cooperatives furnish producers only very limited services, consisting mainly of assembling livestock and bringing buyers and sellers together. Even these services are furnished largely on a part-time basis.

Cooperatives must provide a wider range of marketing services on a year-round basis if they expect to become an important factor in the Southeast livestock industry. No single type of marketing service will meet the needs of all producers. Purchase and resale, order-buying and order-selling, procurement of feeder and breeding animals, contract production and marketing programs, carcass weight and grade selling, and futures trading are a few of the services that more Southeast cooperatives need to consider furnishing livestock producers.

Some now furnish limited production, or management, services. This type of service may need to be expanded in the future. As livestock operations increase in size and farm labor becomes more scarce, producers increasingly will need to look to off-farm sources for management services such as castration, dehorning, grub and fly control, vaccination, and others. The growing complexity of the production process will increase the need for management counseling service, especially among the smaller producers. Financing of livestock enterprises is another valuable service more Southeast

The need for on-the-farm management services, such as parasite control, is likely to grow in the future. Livestock cooperatives have an important role in meeting these needs.

cooperatives could furnish, either through their own organization or through arrangements with other credit institutions.

Southeast cooperatives now appear to be serving smaller-than-average producers. If they are to be successful in serving larger producers, they will need to provide a program of services that is relevant to their needs. Many of the services mentioned above would be well suited to the needs of these producers.

FINANCING EXPANDED SERVICES

Large amounts of capital would be required to provide expanded services. It is obvious that existing associations could not finance such an expansion out of their annual net margins at their present levels. Cooperatives will need to develop plans for providing the capital for expanding their services.

Livestock producers must be prepared to furnish a substantial part of these capital needs if they want increased services. This might be done through increased user charges or through direct producer investments in the cooperatives, or both. Rapid growth, or expansion of services, probably will require direct producer investments. Producers wanting a local marketing facility might finance and build it and lease it to a cooperative to operate. In any event, existing cooperatives probably will need to change their financial structure and member investment requirements.

Modern marketing facilities such as this require a large investment. Livestock producers must furnish a substantial part of the capital needed to expand cooperative services.

APPENDIX

Appendix table 1.—Number of Southeast farm operators selling livestock and livestock products other than dairy and poultry in 1964, and farmers' cash receipts from sale of livestock in 1967

State	Number of farm operators selling livestock in 1964	Farmers' 1967 cash receipts from sale of—			
		Cattle and calves	Hogs and pigs	Sheep and lambs	All livestock
	Number	– – – – – – – – – *$1,000* – – – – – – – – –			
Alabama	53,914	105,034	43,843	54	148,931
Arkansas	50,744	93,380	13,510	70	106,960
Florida	17,591	130,146	13,176	30	143,352
Georgia	54,793	82,970	67,242	25	150,237
Kentucky	93,878	158,864	70,197	2,832	231,893
Louisiana	38,709	103,024	7,434	51	110,509
Mississippi	64,383	135,950	21,782	74	157,806
North Carolina	64,149	44,862	85,542	176	130,580
South Carolina	24,076	30,499	23,592	8	54,099
Tennessee	93,823	139,725	58,900	932	199,557
Virginia	51,708	71,673	22,596	3,421	97,690
West Virginia	24,886	20,752	3,105	2,329	26,186
Total	632,654	1,116,879	430,919	10,002	1,557,800

Sources: U.S. Census of Agriculture, 1964, vol. I, table 16. U.S. Dept. Commerce, Bur. Census.

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A copy of each of these publications may be obtained while a supply is available from—

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