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# Cooperative Egg and Poultry Auction Associations.

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## Summary

**E**GG and poultry auction associations apparently fill a need for a new type of cooperative in the specialized and semicommercial egg- and poultry-producing areas adjacent to the large eastern consuming centers. A number of egg-marketing associations of the pool type had been formed in the East prior to the auctions and several of these are still operating, but the pool method of operation apparently has not appealed to producers generally.

The first cooperative egg auction was organized at Toms River, N. J., in May 1930. This action followed a 3-year study of the egg-marketing problems of the New Jersey poultrymen by the New Jersey Department of Agriculture, assisted by the Agricultural Extension Service. As both management and producers were inexperienced, mistakes were made and this auction eventually proved unsuccessful. A second auction, which began operating at Flemington, N. J., in August 1930, was successful from the beginning.

From 1930 to 1937 inclusive, 25 similar auctions were organized in 8 of the Northeastern States. All were patterned directly or indirectly after the Flemington association. Three of these associations later found it advisable to abandon the auction method of sale entirely. The number of egg and poultry auction associations in operation at the end of 1937 in each State was as follows: New Jersey, 5; Pennsylvania, 5; New York, 3; Connecticut, 3; Massachusetts, 2; Ohio, 2; New Hampshire, 1; and Rhode Island, 1. Of these, 16 handled both eggs and poultry, while 6 handled eggs only.

All the auctions are relatively simple and independent local associations of poultry producers. All are incorporated in the State of location and all but one under a cooperative-marketing law. Only five associations are of the stock type. None use marketing agreements or contracts with members. Membership requirements are few; each member must be a poultry producer and pay entrance fees and annual dues. The dues usually amount to \$2 or less per year.

The services performed for the members by the association are few, consequently, operating methods are not complicated. Producers grade the eggs at the farm according to size, color, and cleanliness; poultry is graded according to class, breed, and weight. Delivery to the auction is either by the producer or by private truckers at the producer's expense. The producer also pays for the containers. The association inspects the eggs and poultry to determine the grade and to check on the producers' grading and packing. Each producer is assigned a number which is used to identify his product.

Eggs are, with few exceptions, inspected and sold by the association according to official State or Federal grade standards. Poultry is sold at most auctions on the basis of standards developed by the individual associations. Recently the New Jersey auctions have adopted the official State grades for live poultry.

Eggs are offered for sale at auction usually twice weekly; poultry sales are held once each week. Most buyers attend the auction sales personally, although considerable volumes of eggs are purchased through bids telephoned, telegraphed, or mailed to the auction manager prior to the sale. The association may use a protective or "stop" bid when demand is insufficient.

Handling charges, which cover all the services performed by the association—mainly inspecting and selling—range from 30 to 50 cents for a full case of eggs, graded by the producer. The most common charge is 45 cents. Small additional charges are made when grading by the association is necessary and in some instances for replacements and extra candling. The charge for handling poultry varies from 35 to 50 cents per crate.

Services other than handling and selling eggs and poultry are few. Several associations sell livestock at auction, while all auctions handle egg cases and poultry crates for members. The handling of poultry supplies has been unimportant but is increasing in volume.

Active membership in the 22 associations studied totaled over 13,000 on January 1, 1938, and ranged from 150 to 2,263 at individual auctions. This membership equaled 64 percent of the 20,464 members who were or had at some time been members. The original membership at each association averaged 44; at the beginning of 1938 the average auction membership was 594. For the auctions as a group, the membership has increased at an average yearly rate of 76 percent over the previous year.

In 1937 the 22 auctions marketed 947,210 cases of eggs and 172,314 crates of poultry by the auction method. The combined value of these products approximated 9½ million dollars.

Routemen, jobber-wholesalers, and chain stores furnished the principal outlets for auction eggs, purchasing about 75 percent of the volume. Routemen were the most important buyers, purchasing an average of 29 percent of all auction egg receipts. The combined purchases of retailers and jobber-wholesalers constituted 83 percent of all poultry handled.

Although grading standards used by the auctions are relatively similar, there is a wide variation in the percentage of eggs which are of top grade; the range for the associations was from 0 to 79.9 percent. Wide differences are found among auctions within a State using similar grade standards. During the last 4-year period, 1934-37,

seven auctions showed a decrease in the percentage of eggs of the top grade, four associations maintained the same percentage, and four showed an increase.

The auctions have maintained relatively low handling costs. In contrast with the far western producers, auction members in the East enjoy relatively low marketing costs through their association. Members of the eastern auctions usually pay less than 2 cents per dozen for marketing eggs, while producers from the west coast selling eggs in New York City through their cooperative associations pay nearly four times this amount.

The average income per unit of volume handled by 18 auctions in 1937 was 44 cents, while operating costs averaged 37.6 cents per unit. Principal factors affecting per unit costs were volume handled and operating methods and practices. Operating costs tend to decrease with increased volume, but some costs closely related to management and to the rendering of additional services have increased as the auctions have matured.

## *Cooperative Egg and Poultry Auction Associations*

**S**LOW development of the cooperative marketing of poultry and eggs in many parts of the United States has been largely the result of failure to choose the type of association best adapted to the individual section or area. Important and interesting developments in the cooperative marketing of poultry products have taken place during the past 15 years, however. Rapid growth in the marketing of eggs and poultry through cooperative associations selling by the auction method has been notable in the Northeastern States since 1930.

### Purpose and Scope of Study

Development of this new type of cooperative association to market poultry products almost immediately created widespread interest in its organization, operations, and accomplishments. In the fall of 1932 the Cooperative Division of the Federal Farm Board made a preliminary survey of the 11 auction associations then operating. At that time only 4 of these associations had been operating for as long as 1 year and little evidence was available to show their degree of success.

During the years following the organization of the first auctions, interest in them increased. Reflecting this interest, the Northeastern Poultry Producers Council in January 1935 requested the Farm Credit Administration to make a business study of the egg and poultry auctions to determine the volume of business, financial organization, and the operating policies necessary for the intelligent extension or limitation of auctions in the Northeastern States. Similar requests were made by several of the bureaus of markets and colleges of agriculture of the Northeastern States.

**NOTE.**—The authors wish to express their appreciation to the officers, managers, employees, and members of the auction associations for their excellent cooperation in the study. Acknowledgment is also due the officials of the State colleges, bureaus of markets, and State departments of agriculture for their valuable suggestions and for information furnished. Miss Helen J. Saari and Miss Jennie Piraino, Cooperative Research and Service Division, Farm Credit Administration, rendered valuable assistance in the preparation of this publication.



As the auctions had now been in operation for a sufficient number of years to establish their relative permanency and to afford a statistical basis for measuring their success as marketing mediums, such a study was actively begun in July 1936.

The four main purposes of this study were:

1. To make available in published form information and data pertaining to the development, importance, location, legal and organizational set-up, method of operating, business policies, factors of success, benefits derived, and other important facts of interest concerning the cooperative egg and poultry auction associations. Several publications (1, 2, 3, 4 in literature cited, p. 101) have been issued dealing with the operations of individual associations but none covering these auction associations on a comparative basis, as a group, or as a definite type of association.

2. To determine the suitability or adaptability of this type of cooperative association to the marketing of poultry and eggs in areas other than the Northeastern States and under different production and marketing conditions. Inasmuch as the auction associations apparently had filled a need for a new type of cooperative marketing association to serve the poultry producers of the Northeastern States, it seemed desirable for other producers, and especially those in other areas, to have information which would help them to decide whether this type of association might be useful to them.

3. To make comparisons and evaluations of the different auctions studied to determine the conditions, policies, management, and other factors affecting their operations and degree of success. Although nearly all the egg and poultry auctions are located in the Northeastern States and were set up on much the same basis, there are sufficient differences in their respective areas and organizations as such to influence their operations. Because 22 associations were studied valuable comparisons could be made regarding location, area of operation, production conditions, market outlets, member relations, operating policies, costs of operating, commodities handled, services rendered, changes in operations, and other pertinent phases affecting the success of individual associations.

4. To obtain facts which would be helpful in guiding the present auction associations in their operations and policies. Besides wishing to benefit from the experiences of their own or other auctions, the associations desired an analysis from an economic standpoint to determine how they could better serve the producers, eliminate weaknesses and objections, and be assured of continued operation under current marketing and economic conditions.<sup>1</sup>

<sup>1</sup> For this specific purpose an advance report giving a summary and recommendations from this study was presented to the auction associations at the Business Management Conference for Northeastern Egg and Poultry Cooperatives at Cornell University, Ithaca, N. Y., on June 22, 1936.

The study covered all the producers' cooperative egg and poultry auction associations operating at the time of the study.<sup>2</sup> These associations were located in eight Northeastern States, as follows: New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, and Ohio.<sup>3</sup>

Several of the associations studied began to sell by the auction method but later abandoned this method of sale either in part or altogether. Except for historical phases the associations which abandoned the auction method of sale entirely were not studied.

The study covers the important phases of auction operation, including historical development, legal and organizational set-up, methods of operation, quality standards, policies, costs of operation, outlets, producer and buyer attitudes, and conditions affecting operations from the beginning of each association to January 1, 1938.

*Procedure.*—Much of the information on which this study was based was obtained from association records, association officials, and producers. This material was supplemented by information from buyers, haulers, State colleges of agriculture, State bureaus of markets, county agents, and others.

Four questionnaire forms were used in the study; these were for associations, producers, buyers, and haulers.

Personal visits were made to each of the associations studied. From 1 to 3 weeks were spent at each auction. Personal interviews were also held with 675 poultry producers, 80 buyers, and 20 haulers.

This bulletin deals with the auction associations in a general and nontechnical manner for the benefit of producers and others interested generally in these associations.

## Development of Auction Associations

### Conditions Favorable

**T**WO basic conditions have been favorable to the development of cooperative associations for marketing eggs and poultry in many sections of the Northeastern States. These favorable circumstances are (1) suitable production conditions and (2) a need for improvement in marketing agencies and practices. As a result, when, after 1930, the auction type of cooperative association was

<sup>2</sup>The names and addresses of these auction associations appear in table 20, appendix B. At the time of this study there were two privately operated local auctions, 1 marketing eggs and 1 poultry; a terminal egg auction was operated in New York City by the Acme Egg Co., Inc., a subsidiary of the Pacific Egg Producers Cooperative, Inc. A study of cooperative associations marketing eggs and poultry by other than the auction method was started in February 1939 by the State agricultural colleges of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, and West Virginia in cooperation with the Farm Credit Administration. The two studies may be considered as parallel or companion studies of the cooperative marketing of poultry products in the Northeastern States.

<sup>3</sup>After the completion of the field work for this study, auction associations were organized at Gary, Ind.; Versailles, Ohio; Knoxville, Tenn.; Westminster, Md.; Napoleon, Ohio; and Yorkville, Ill.

tried and found satisfactory for use in the Northeastern States, its adoption there was rapid.

### *A Specialized Production Area*

Cooperative marketing of poultry products has usually been most successful in areas where production is relatively heavy and specialized and where the producers rely upon these products for a major part of their cash income. On the contrary, they have been least successful in the so-called farm-flock areas where flocks are small and where poultry production is a minor farm enterprise.

The two most important commercial<sup>4</sup> poultry-producing areas of the United States are in the Pacific Coast and Atlantic Coast States. Outside of these two areas there is little concentration of commercial egg production, although there are small scattered commercial sections in the Corn Belt.

Flocks of 400 or more chickens are commonly and arbitrarily designated as commercial flocks. Figure 1 shows the distribution of these flocks in 1935. Table 21, appendix B, gives the percentages by geographic divisions and selected States of the flocks which in 1930 were of the commercial type. The Pacific division, with 9.1 percent as compared with 1.3 percent for the United States, had the largest percentage with the Middle Atlantic, New England, and Mountain divisions following in order. As individual States, New Jersey was the highest with 14.4 percent, followed by California, Washington, Utah, Connecticut, Massachusetts, and Rhode Island.

From the standpoint of marketing, the percentage of all chickens in the larger flocks is a more accurate measure of the actual volumes of poultry products coming from the commercial or specialized type of flock than the number of commercial flocks. In 1930, 13.4 percent of all chickens on farms in the United States were in flocks of 400 or more chickens. In the Pacific, New England, and Middle Atlantic divisions the percentages were 65.2, 35.2, and 29.1 percent, respectively. For the selected States, California was first with 75.7 percent of its chickens in the larger flocks, followed by New Jersey with 61 percent, Washington with 55.1 percent, Utah with 50 percent, and then by four of the New England States.

The United States Bureau of the Census classifies farms which obtain 40 percent or more of the total farm income from poultry as poultry farms. On this basis, as shown in appendix B, table 21, in 1930, only 2.6 percent of the farms in the United States were poultry farms. However, 10.4 percent of the farms in the Pacific division were classed as poultry farms, 8.0 percent of the farms in New England,

<sup>4</sup> In this publication the term "commercial flocks" is applied to poultry enterprises (1) on specialized poultry farms, (2) on farms where poultry is one of the major sources of income, or (3) on farms with 400 or more chickens.

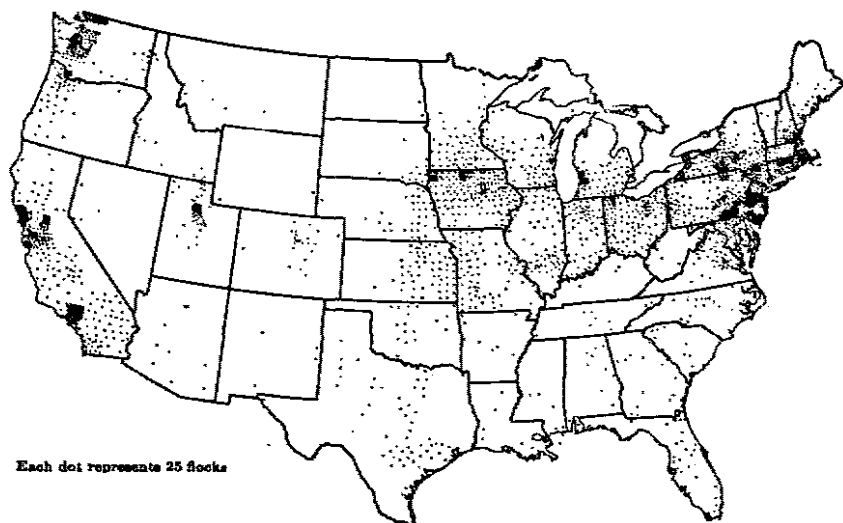


FIGURE 1.—NUMBER OF FLOCKS OF 400 OR MORE CHICKENS ON FARMS, JANUARY 1, 1935  
The greatest concentrations of the larger flocks are chiefly in the Pacific and North Atlantic Coast States with a heavy scattering in the Corn Belt.

and 7.4 percent of those in the Middle Atlantic States. As individual States, New Jersey, Rhode Island, and Massachusetts had higher percentages of farms classed as poultry farms than even Washington or California.

On the bases of the number of large flocks, the number of chickens in these flocks, and the income from poultry, both the Northeastern States and the Pacific Coast States show definite specialization in poultry production. This specialization, because of the large volumes and relatively high quality of the products, has made these two areas the most favorable for the cooperative marketing of eggs and poultry, from the production standpoint. As a result of differences in other respects, however, cooperative marketing of eggs in the Pacific Coast States and in some of the Mountain States prior to 1930 had been relatively successful and important, but in the Eastern States it had been relatively unsuccessful and unimportant. The reason for this contrast may be attributed probably to marketing factors rather than to production factors.

### *Marketing Agencies Unsatisfactory*

Nearness to large consuming centers was a primary cause for the development of specialized poultry production in the East. This area had the important advantage of nearby markets. Buyers in these markets were usually willing to pay premiums above the regular quoted prices for nearby eggs which were likely to be fresher than eggs received from more distant, less specialized areas.

Specialized production on the west coast, on the other hand, was largely the result of favorable climatic and other conditions. Also producers felt a need for commodities which could be produced efficiently, transported, and marketed to advantage in distant markets. Distant growers must usually offer products high in value relative to bulk, if they are to prevent the cost of transportation from making the net returns unprofitably low. This means that the products usually will be in concentrated form and of exceptionally high quality. Eggs of high quality are seldom produced in important market volume except on the farms where egg production is a major farm enterprise.

When the raising of poultry becomes a major farm enterprise in an area, specialized poultry farms or even entire communities may be developed, as in parts of Washington, Oregon, California, Utah, Pennsylvania, New Jersey, and other States.

In the Northeast there was no lack of nearby market outlets. It was a deficit production area and the buyers commonly went to the farms of the producers for eggs and poultry. Table 1 indicates the chief types of marketing outlets for eggs and the estimated percentages sold through each prior to the establishment of the auctions. In most of the present auction areas the bulk of the eggs, especially those from the smaller producers, were sold at the farm to hucksters, some of whom were local established truckers and others irregular, itinerant buyers. After the hucksters, terminal market outlets, such as wholesalers, jobbers, and commission men to whom the producers shipped directly, were most important. Sales direct to consumers or to retail stores, hotels, and restaurants were prominent in many localities.

According to information obtained, farm-to-farm and local buyers prior to establishment of the auctions usually purchased eggs on a basis of from 2 to 8 cents a dozen below the metropolitan-market wholesale quotations. Little attention was given to payment according to quality. Many producers considered the spread between farm prices and metropolitan prices for nearby eggs excessive. Producers who shipped direct to the metropolitan handlers often obtained quoted or even premium prices, but this method of sale was bothersome and the net return was often no higher than the farm price.

Several years prior to 1930 some receivers on the New York market began to pay a premium of several cents a dozen above the New York Mercantile Exchange quotations to certain producers or to members of the several egg clubs in New Jersey. By 1930, however, the exchange quotations no longer reflected accurately the actual prices of the bulk of the eggs sold in New York City and, consequently, there was no longer a satisfactory base price to which to add the premium (5, p. 13). As a result, even with the premiums added, the prices

TABLE I.—TYPES OF FORMER MARKET OUTLETS AND THE ESTIMATED PERCENTAGE OF EGGS SOLD THROUGH EACH TYPE PRIOR TO THE FORMATION OF THE AUCTION ASSOCIATIONS

Auction area	Percentage of eggs sold by type of outlet						Total
	Huckster <sup>1</sup>	Terminal markets <sup>2</sup>	Consumers <sup>3</sup>	Retail stores, hotels, restaurants	Resident dealers	Miscellaneous	
New Jersey:							
Flemington.....	85		15				100
Vineland.....	25	60				15	100
Mount Holly.....	90	5	5				100
Hightstown.....	75	17	8				100
Paterson.....	20		40	40			100
Pennsylvania:							
Doylestown.....	75	15	10				100
Bethlehem.....	30	20		50			100
Center Point.....	90	5			5		100
Coatesville.....	20	5	10		65		100
Butler.....	15	85					100
New York:							
Poughkeepsie.....	15	40		25		20	100
Albany.....	40	15	15		30		100
Central Islip.....		60	40				100
Connecticut:							
Hamden.....	20		40	40			100
Hartford.....	45	45				10	100
Willimantic.....	60	30	10				100
Massachusetts:							
Brockton.....	60	20	20				100
Springfield.....	60	10	15	15			100
Ohio:							
Wooster.....	60			40			100
Bucyrus.....	10				40	50	100
New Hampshire:							
Derry.....	65	35					100
Rhode Island:							
Providence.....		45	50			5	100

<sup>1</sup> Small itinerant or established truckers who buy from farm to farm.

<sup>2</sup> Direct shipments to wholesalers, jobbers, and commission men in larger markets.

<sup>3</sup> At farm or on routes.

<sup>4</sup> Chiefly to hatcheries.

Source of data: Estimates of auction managers.

paid might be no higher than those obtained by most other nearby producers.

Not only did the country prices seem to be unduly low beside those of the terminal markets, but there were frequent instances of unethical practices, such as the giving of bad checks, dishonest weights,

improper grading, unjustified complaints on quality of previous purchases, and unreliable service. Owners of small flocks particularly were at the mercy of unscrupulous buyers.

In addition to dissatisfaction with prices, sales outlets, and market practices, the northeastern producers observed that the organized producers in the Pacific Coast and Mountain States were supplying a steadily increasing percentage of the New York egg receipts. From 1922 to 1931 New York egg receipts from these States increased from 8 to 31 percent and Pacific Coast Specials brought prices higher than those received by nearby producers for eggs of similar quality.

### Early Cooperative Efforts

Although two conditions essential for the successful operation of egg and poultry marketing associations were present in the nearby northeastern production areas, cooperatives for this purpose were slow to develop. In most sections local markets were so readily available that unified or centralized selling effort seemed less essential than in the commercial, surplus-producing areas distant from the large consuming centers. Still some attempts at marketing eggs and poultry cooperatively were made in the Northeast as early as 1905. Most of the associations formed were short-lived; among them a large association organized to serve several of the Atlantic Coast States.

For the period, 1927-28, available information shows that there were only six associations marketing poultry and poultry products cooperatively in the New England and Middle Atlantic States (6, p. 10). These were small, local associations; they had a total membership of only 1,100 and an estimated total business of \$960,000 that year. At the same time there were in the three Pacific Coast States, plus Idaho and Utah, 18 associations with a total membership of 21,800; these did a business totaling \$24,820,000 in the year 1927-28.

After 1925 there developed a general feeling among producers in the Northeast that group action was necessary to provide continuous and reliable outlets for eggs and poultry produced in the nearby commercial production areas. Experiences with the formal pool type of cooperative marketing association, such as the type operating in the far West, had not been fully satisfactory when adapted to production areas adjacent to the large markets and consuming centers of the East.

### First Auction Associations

It appeared therefore that some new type of cooperative marketing association should be developed to replace selling by individual producers or through egg clubs. It seemed difficult, however, to choose and develop the type of association entirely suitable for poultry producing and marketing conditions in the East. The

officials of the New Jersey Bureau of Markets were of the opinion that the answer was to be found in the successful marketing of New Jersey fruits and vegetables by producers' country-point auction associations. Two fruit and vegetable auction associations had been formed in New Jersey in 1928 with the assistance of county agricultural agents and representatives of the Bureau of Markets. These had operated successfully.

Following a 3-year study of the marketing programs, practices, and policies of the States near the New York City wholesale market, a plan for selling eggs and poultry at country points in New Jersey by the auction method was outlined early in 1930 by the New Jersey Department of Agriculture, assisted by the Agricultural Extension Service. This plan included adaptation of the auction system of selling fruits and vegetables to the marketing of eggs (1, p. 5). It was designed as a 5-year program for improving the marketing of New Jersey poultry products. The plan contemplated the establishment of auction associations at three strategic points in the State. It was proposed that one would operate in the northwestern section, another in the eastern section, and another in the southern section of the State (1, p. 9).

In accordance with this plan and in spite of predictions of failure (7, p. 3), there was organized on May 19, 1930, at Toms River in the eastern part of New Jersey, the Toms River Auction Market Association, Inc. This was the pioneer organization in the United States selling eggs cooperatively by the auction method at the shipping point. This association held its first sale on June 2, 1930.

Although the beginning at Toms River was not too promising and some opposition from New York receivers and groups of local shippers developed, the Bureau of Markets persisted in its efforts and 2 months later, on August 1, 1930, started the second egg-auction association. This was the Flemington Auction Market Cooperative Association, Inc., located in the northwestern part of the State. Nearly a year later, on June 4, 1931, a third egg-auction association began to operate in the southern part of New Jersey as originally planned. This, the Cooperative Egg Auction Association of South Jersey, Inc., was in the heavily specialized egg-producing area at Vineland, N. J. In about a year, therefore, cooperative egg-auction associations had been formed in each of three sections of New Jersey.

The auction association at Toms River, N. J., ceased to operate as such on March 13, 1931, after about 9 months of sales during which it handled 9,196 cases of eggs. This, as the pioneer association, had no model to follow in its operations; it accepted only in part the auction system as outlined by the officials of the New Jersey Bureau of Markets (8, p. 16). Some of the specific causes given for the association's failure were: Lack of experience and information; unwilling-



ness of the management and board of directors to accept advice; failure to adopt satisfactory egg grades and standards; excessive overhead cost (caused largely by moving the association office from Toms River to Newark and later to Elizabeth, N. J.); financial losses from bad accounts and on "stop-bid" <sup>5</sup> eggs; lack of harmony among directors; lack of patronage from producers; insufficient membership contact; unwise selling of stop-bid eggs on the association premises after auctions; the fact that producers had been led to expect too much from the association; and insufficient deductions to cover operating expenses (deductions were on the basis of 3 percent of the gross sales price) (8, p. 16).

While the Toms River Auction Market Association is usually considered the only such association that has failed to make a success of this type of selling (8, p. 16) this is not entirely true. As shown later in this report, a number of the associations originally using the auction method of sale have departed in whole or in part from this method.

The second auction association formed, the Flemington Auction Market Cooperative Association, Inc., adopted in all its phases the system proposed by the New Jersey Bureau of Markets (8, p. 16) and has continued to adhere closely to the policies originally set forth. It is the oldest of the existing auction associations and has been one of the most successful. It has served as a model for at least the original auction association for poultry products established in each of the Northeastern States.

### Expansion of Auction Selling

The rapid expansion of auction selling of poultry products in the Northeast after 1930 indicates that the area was receptive to cooperative selling through a well adapted type of association. After the first few associations had proved satisfactory, this type received much attention and was promptly copied in other communities. The number starting to operate by years is shown in appendix B, table 22. The three first auction associations were in New Jersey; the fourth was at Doylestown, Pa. In 1932, associations were formed in four States: Massachusetts, New York, Ohio, and Pennsylvania. During the next year the movement spread to Connecticut and New Hampshire. Later auction associations were formed in Rhode Island, Indiana, Tennessee, Maryland, and Illinois.<sup>6</sup> Figure 2 shows the number of auction associations operating at the end of each calendar year through 1937. The rate of increase fell off sharply after 1933.

<sup>5</sup> This term is defined on p. 37.

<sup>6</sup> See footnote 3, p. 3.

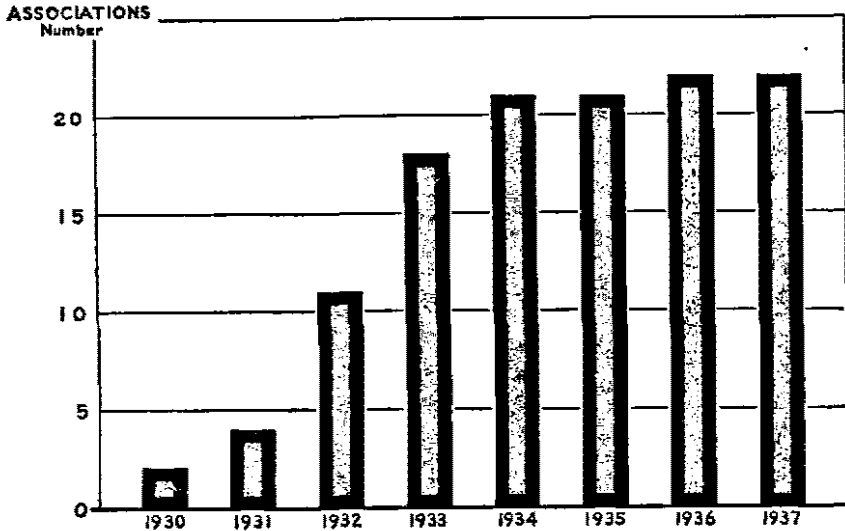


FIGURE 2.—NUMBER OF AUCTION ASSOCIATIONS IN OPERATION AT END OF EACH YEAR, 1930-37.

There were 26 auction associations formed during the 8-year period 1930-37. The first association (Toms River, N. J.) failed and three associations (Buffalo, N. Y., Brooklyn, N. Y., and Lynn, Mass.) ceased to use the auction method of selling. Four auctions were formed in 1936 and 3 in 1937.

## Type of Organization

### Local Associations of Producers

**I**N GENERAL the auction type of cooperative association is a relatively simple, independent<sup>1</sup> local agency. It is an incorporated cooperative association of poultry producers, with an office, a salesroom, and other necessary facilities in the production area. It has no marketing agreements or contracts with its members, but sells their poultry and eggs on an individual-producer basis, usually once and twice a week, respectively. The member's produce is sold on a graded basis over the auction block to a relatively large number of buyers. Most of the buyers make rather small purchases. Fixed deductions per unit are made to cover the cost of operations, and payments are made to the producers after each sale or once a week. Returns to the producer are equal to the auction-block price for each case of eggs or crate of poultry less the predetermined deduction.

While the auctions are similar in many respects, not all of them operate in exactly the same manner. As indicated above one of the

<sup>1</sup> The five associations formed under the G. L. F. to market eggs and poultry by the auction method, while separately incorporated, were in reality subsidiaries of the Cooperative Grange League Federation Exchange, Inc.

purposes of this study was to discover the important digressions from original methods and policies of operation by individual associations, the causes for these adjustments, and the further changes that might be advisable.

### Legal Set-Up *Incorporation*

All the auction associations studied were incorporated under the laws of the State where located and all except one under a cooperative marketing statute.

The articles of incorporation are usually very broad in the statement of purposes, powers, and proposed operations.<sup>8</sup> In only three instances was it stipulated in either the bylaws or the articles of incorporation that the association must use the auction method of selling. The associations are, therefore, usually free to change the method of sale.

### *Stock or Nonstock*

All the auctions except five were of the nonstock type. One association was originally a nonstock organization but was reorganized in January 1937 with stock having a par value of \$5 per share. Another association, organized originally as a stock association, had stock with a par value of \$10 per share. Three auctions organized as stock associations issued both preferred and common shares; the preferred at \$10 per share and the common at \$5 per share. Reasons given for the prevalence of the nonstock type are: The original capital required is small; membership is informal; the type of operation is simple and more easily adapted for local use than the stock type.

It is often feasible to change to the stock type of organization after buildings and other facilities representing fixed assets become necessary or have been acquired by the association. However, a requirement that each member purchase stock costing more than a nominal sum, as in associations having considerable fixed assets, would tend to discourage membership. An important influence in the rapid growth in membership of the auction associations is the fact that few were organized with a large capital structure.

### *Cooperative Provisions*

*Membership requirements.*—The chief requirements for membership in the auction associations are: (1) Members must be producers or organizations of producers of poultry or of agricultural products, (2) certain entrance fees and annual dues must be paid, and (3) the member must be acceptable to the association.

<sup>8</sup> Mimeograph copies of a representative set of articles of incorporation and bylaws used by the auction associations are available from the Farm Credit Administration upon request.

*Eligibility.*—The only important restriction on membership is in regard to location. Three associations have definite geographic limitations specifying that membership is restricted to producers living within certain counties or within the State. Six additional associations specify the counties in which they are to operate but do not limit operations to these counties. In actual practice a number of the associations set definite geographic limitations on membership.

*Entrance fees and annual dues.*—Most of the associations have an original entrance or membership fee and annual dues payable each year after the first year. The entrance fee ranges from nothing in the five New Jersey and in two of the New York auctions to as much as \$5 in the five Pennsylvania associations and in the Rhode Island association. Annual dues range from nothing in the five Pennsylvania and the three New York associations to \$5 at one New Jersey auction. Of the remaining 13 associations, 12 have annual dues of \$1 per year and one association \$2.50 per year. Two of the New York associations have neither an entrance fee nor annual dues. It was observed that while there are wide ranges in the entrance fees and annual dues between the auctions operating in the different States, there is a rather close uniformity in this respect for the associations operating within a particular State.

The fees and dues usually are collected, not in cash, but as deductions from the returns due the producers. The annual dues usually are not collected until after the first year of membership or after the beginning of the next fiscal year.

*Acceptance by association.*—In addition to being a producer and paying the membership fee and dues, most of the auction associations require that the producer be approved for membership by the majority of the board of directors and assert his willingness to abide by the bylaws and other regulations. One association requires acceptance of producers by the auction manager only. The three New York associations require that producers, to qualify for membership, must consign products to the total wholesale value of at least \$100 during the association's fiscal year.

Eleven associations make provision for the issuance of membership certificates but 10 do not. One Pennsylvania association requires each member to purchase at least one share of its common stock. A New Jersey association issues two classes of certificates; the member-patron's certificate, issued only to holders of common stock, and the nonmember-patron's certificate issued to producers in New Jersey who are not holders of common stock.

*No marketing agreements.*—The auction associations do not have marketing agreements or contracts, as such, with their members. The two Ohio associations have what are termed marketing agreements, but they are merely signed agreements signifying the producer's

willingness to abide by the articles of incorporation, bylaws, and marketing rules of the association. The articles of incorporation, bylaws, or marketing rules of none of these associations have provisions requiring delivery of any part of the poultry products marketed.

To be assured of the requisite volume, before beginning operations four of the associations had producers sign a statement promising to deliver a minimum or specified number of cases of eggs for a designated period of time, usually 6 weeks. (See appendix A.) At one New Jersey auction the producers were merely requested to sell one crate of poultry through the auction for the first sale regardless of consequences. At a Massachusetts association the producers pledged themselves to sell at least one case of eggs per week through the auction. At the first auction formed in Ohio producers signed rather rigid agreements whereby they bound themselves to consign all their eggs to the association for a period of at least 3 months beginning with the first auction.

*Voting rights.*—In all but 1<sup>o</sup> of the 22 associations selling by the auction method, voting is on the basis of one vote per member or stockholder. In the three New York associations each holder of common stock has one vote but all the stock issued is held by the five managing directors and not by the patrons or members generally. Each patron-member of the above associations, that is, each producer consigning to the auction farm products of a wholesale value of at least \$100 during the fiscal year, has one vote in choosing the members of an advisory committee but no vote in electing the board of directors or in the direct determination of the policies of the association. In the Paterson association only the member-patrons who hold common stock may vote; the nonmember-patrons are those producers who patronize the auction but who do not hold common stock. The Providence auction limits the right to vote to those members who have used the facilities of the association during the 6 months immediately preceding the date of the annual meeting.

Only the New York associations allow voting by proxy.

*Limitation of dividends on stock and membership capital.*—Of the five auction associations with capital stock all limit the rate of interest to 6 percent per year except the Paterson auction which allows 8 percent. Only four of the nonstock associations make provision for the payment of interest on members' capital. The four nonstock Pennsylvania auctions limit the rate of interest on shares of indebtedness to 6 percent.

*Limitation on nonmember business.*—Only the Wooster and Derry associations specify in the articles of incorporation or bylaws that the

\* In the Derry association each member has one vote for each 100 cases of eggs or fraction thereof produced and marketed by him through the association during the year preceding. He is entitled to one additional vote for each additional 100 cases of eggs or fraction thereof so produced and marketed by him through the association during the preceding year.

value of the products handled for nonmembers shall not be in excess of the value of those handled for members. The statement of this cooperative provision is unnecessary, however, since all but one of the associations are incorporated under cooperative statutes and since, in most of them, the producers become members by merely patronizing the auction. The result is little or no nonmember business in most instances. On the other hand, in many associations in which most of the producers selling through the association do not have the privileges of voting, the products handled for them might legally be considered nonmember business.

*Payment of patronage dividends.*—All the auction associations except the one at Mount Holly have, in either the articles of incorporation or the bylaws, a provision that after the payment of expenses, allowance for depreciation, reserves, and a contingent fund, the surplus remaining may, at the discretion of the board of directors, be divided among the members in the proportion that the total business done with each bears to the total volume of business transacted by the association during the fiscal year.

Eight auction associations have paid cash patronage dividends to producers amounting to \$38,243 since 1933. Largest amount of dividends returned to members by an individual association since its organization was \$9,440 in cash, plus \$14,495 in certificates of patronage. Another association, in addition to paying cash dividends totaling \$6,445, has issued \$8,084 in certificates of equity. Fourteen associations had not paid cash dividends or issued certificates of equity or patronage in any form prior to 1938.

### *Management*

As in most cooperative marketing associations, the management of the auction association is delegated to a board of directors. In a few associations, the board appoints an executive committee. The immediate management is always under a general manager, sometimes called a manager, auction manager, or auction master.

*Board of directors.*—The number of directors ranges from 5 to 12 as follows:

<i>Number of associations</i>	<i>Directors per association</i>
5.....	12
10.....	9
3.....	7
1.....	6
3.....	5

With the exception of the three New York associations which elect all directors annually, the auctions elect their directors for terms of 3 years, usually choosing one-third of the directors every year.

All the auctions elect the directors at large, with the exception of the two Ohio auctions which elect three directors at large and four by districts and the Center Point auction which elects four at large and four from each of two counties.

Eleven of the boards meet monthly although the bylaws of only six make specific provision for monthly meetings. One board meets bimonthly. All the other associations meet only upon call, but four specify at least four regular board meetings each year.

Only four associations have in their bylaws provisions for the appointment of an executive committee. The frequent meetings of the boards, the provision for meetings at call, the nearness and availability of the board members, and the relatively small number of members on the board make an executive committee unnecessary.

## Method of Operating

**I**N GENERAL the operating methods of all auctions are similar and the number of services performed rather few. The producer is responsible for packing, grading, and delivering the product to the association. Upon delivery the associations' principal services are those of inspecting, selling, and making returns to the producer.

Few associations have found it necessary to make major changes in operating policies or methods from those adopted at the outset. Minor adjustments have been found advisable and have been made to meet local production and marketing conditions or to facilitate operations. As the individual auctions continue to expand the operating methods may become more complex and the number of services performed for members more numerous than those now rendered.

### Assembling *Territory Served*

During the early period of operation, the area from which an auction drew its receipts was often about the size of an average county. The present associations, as shown in figure 3, usually draw products from several counties or a large portion of a State. One association serves the greater portion of two States.

As already stated, membership in three associations is limited to definite geographic areas by the articles of incorporation. Some other associations have voluntarily established boundaries to their procurement areas, mainly to eliminate competition between adjacent auctions. One association limits its membership to the county in which the auction is located.

There is relatively little overlapping of areas served by the auctions, except in New Jersey and Connecticut. There is none among the auctions in eastern Pennsylvania, where the associations have mutually

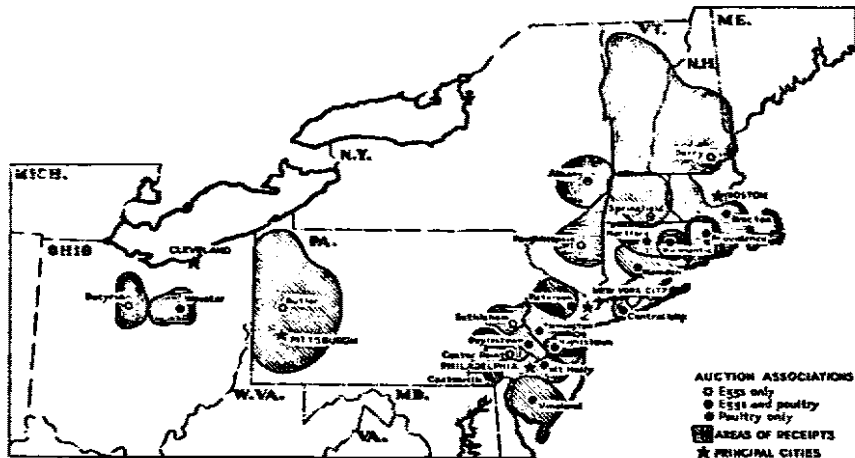


FIGURE 3.—LOCATION OF 22 COOPERATIVE EGG AND POULTRY AUCTION ASSOCIATIONS, TERRITORY SERVED, AND TYPE OF POULTRY PRODUCTS SOLD AT AUCTION, 1937.

The greater part of Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, and New Jersey is served by the auction associations. Some of the auctions serve small areas; others, the Derry and Butler auctions in particular, serve extensive territories.

agreed to limit their areas of receipts. The overlapping of procurement areas in New Jersey and Connecticut, particularly in Connecticut, become more pronounced when consideration is given to other cooperative egg marketing associations operating in these States. In addition to the three auctions there are two cooperative egg pooling associations operating in Connecticut and two auctions in neighboring States receiving a portion of their eggs from Connecticut. In some sections of the State producers have the choice of selling their eggs through at least five cooperative egg marketing associations, only two of which require marketing agreements.

Competitive relationships have been comparatively friendly among all the associations marketing eggs and poultry in the auction areas. In numerous instances producers are members of more than one association and market through either at will, or market eggs through one association and poultry through another.

### *Farm Grading and Packing*

An important and relatively unique feature of the auction system of selling eggs is that the producer assumes the responsibility of preparation for sale. Eggs sold at the auction, except for the small portion received as part cases, are sold as packed by the producer (fig. 4). This means that the member must perform all the functions of the egg packer. The auctions have sent out instructions, met personally with the producers, encouraged them to maintain wellbred flocks, properly fed and housed (fig. 5), arranged demonstrations, and otherwise assisted producers to improve the quality and pack of





FIGURE 4.—GRADING AND PACKING EGGS AT THE FARM.

Eggs are graded for size, color, and cleanliness by the producer and packed in used cases of 30 dozen each. Most of the producers use small egg scales to obtain the uniformity of size required by the auction.

their eggs. Members have been informed as to the advantages of marketing clean and preferably infertile eggs which have been gathered and cooled promptly and graded and packed properly (fig. 6). In packing, the producer must obtain acceptable flats, fillers, and cases. Nearly all cases used by the auction members are once-used cases containing clean and sound, but not necessarily new, flats and fillers.

In packing his eggs the producer considers three primary grade factors for uniformity in each case: Size, color, and cleanliness.

Size designation is an important price factor in selling eggs, especially by the auction method (9). Producers are advised to pack by individual-egg-size and case-weight requirements as set forth by the associations in their adherence to State, Federal, or other grades. (See p. 26.) Most of the producers sort eggs according to size by using small egg scales to weigh individual eggs (4, p. 12); some of the larger producers have egg-grading machines. The time required to sort and pack a case of eggs varies from half an hour to 2 hours or more. Half an hour is considered ample time if the volume is considerable and good handling methods are employed (3, p. 27).

Most of the flocks of the auction members are of one breed only. This means that a producer's eggs will be either white or brown, but in white eggs there may be "tints" which must be packed separately.

Eggs which have been soiled and have not been sufficiently cleaned either by hand or by machine (fig. 7) are to be packed as "Dirties" and sold as such.

The auctions do not insist upon the production of infertile eggs although they advise it. Auction eggs are not sold as infertile eggs although the eggs from many of the larger flocks sold through the auctions are infertile.

Few producers candle their eggs (4, p. 12). Since the eggs are inspected by the association to obtain a grade designation prior to

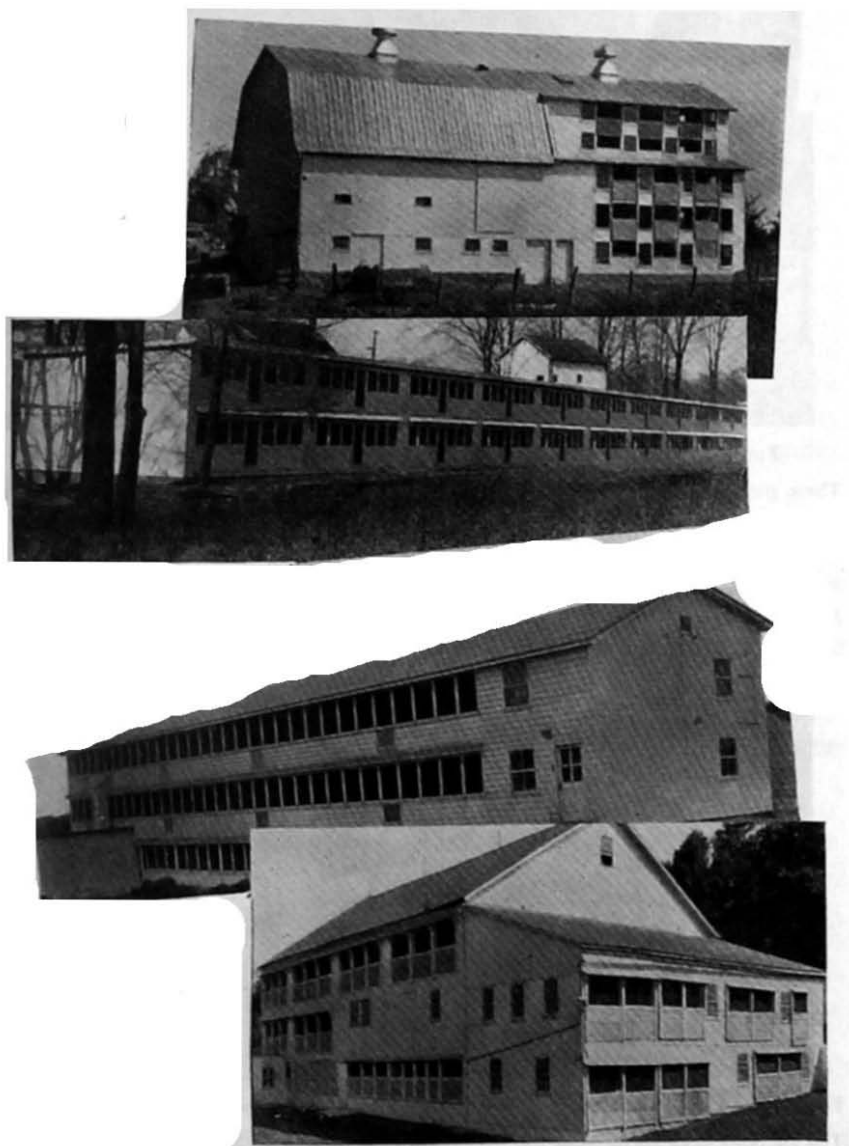


FIGURE 5.—SOME POULTRY HOUSES IN THE AUCTION AREAS.

The Northeastern poultrymen use various kinds of poultry houses; converted barns are not uncommon ones.

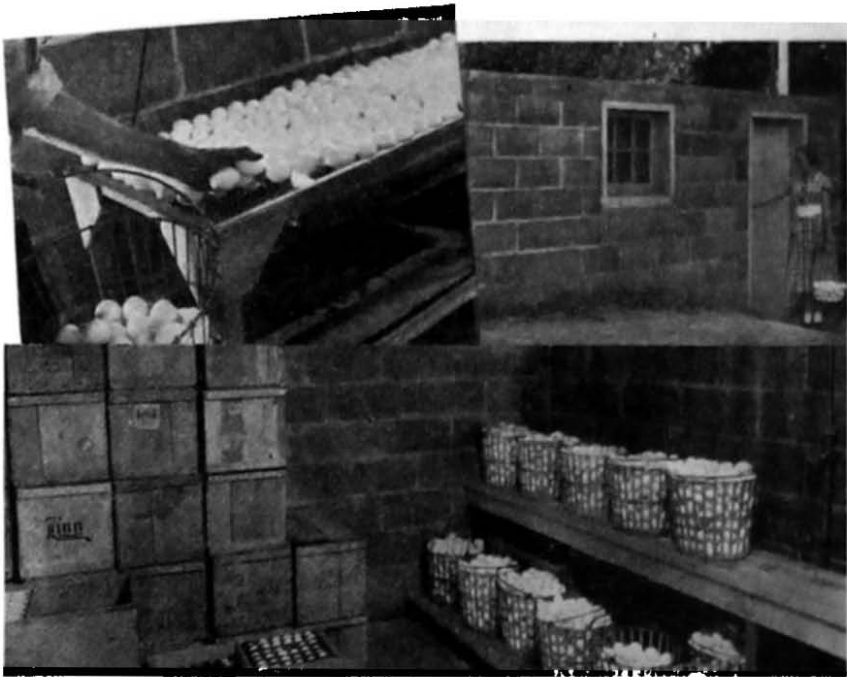


FIGURE 6.—COOLING METHODS USED BY MEMBERS OF THE EGG AUCTIONS.

These pictures show the methods used to obtain rapid cooling of eggs before packing and the places where they are kept prior to delivery to the auctions.



FIGURE 7.—EGG CLEANING MACHINE USED BY A MEMBER OF AN AUCTION ASSOCIATION

The auctions have encouraged the packing of eggs by size, color, and cleanliness. Nearly all producers use some method of removing dirt and manure from the eggs. Hand buffers are commonly used, but a few of the larger producers have automatic cleaning machines.

sale, candling the eggs at the farm would be a duplication of effort and probably would not be worth while except as a check on egg quality from time to time for the producer's own information.

Naturally the extent to which a producer can grade his eggs according to size, color, and cleanliness so as to make full cases of one grade and size will depend upon his volume. As an illustration, it may be difficult for a producer with only 50 or 60 dozen eggs to grade out even 1 full case of eggs of a given size, of uniform color, and of the same degree of clearliness. Consequently, small producers ship part cases of various grades and sizes; these are combined at the auction with similar eggs of other part-case shippers to make full cases of uniform grade, size, and color. A full case containing the eggs of more than one shipper is usually sold under the term "pooled" and does not carry the producer's number. For producers having a substantial volume there is little grading and packing difficulty.

When full cases of graded eggs are delivered they are sold as packed and bear the number of the producer as well as the grade and the weight information. If it is determined upon inspection, however, that the full or part-case of eggs shipped has not been well graded, or if the eggs have been packed on a "nest run" basis, the case will usually be sold as "Producer Grade," "Ungraded," "Out of Grade," or under some other descriptive term.

### *Transportation*

When the operating areas and the number of association members were small the producers hauled their own eggs and poultry to the auctions. As the areas expanded, the membership increased and the associations became better established, producer hauling began to give way to hauling by commercial truckers (fig. 8). Some of the auctions receive eggs by express, but this method of transportation has been little used except at three associations.



FIGURE 8.—TRUCKS WHICH COLLECT EGGS AT THE FARM FOR SALE AT AN AUCTION.

In 1937, about half the eggs sold at the 20 auctions were collected by commercial haulers. None of the auctions had their own trucks. Many of the haulers have proved to be good fieldmen as well as truckers.

While many producers, especially those with large volumes and those who live near the auctions, still haul their own eggs, transportation by paid haulers operating over definite routes has grown rapidly. In 1937, the unweighted average of the percentage of eggs hauled by producers for the 22 auctions handling eggs was 55.3 percent (table 2). The percentage at individual auctions ranged from 10 to

TABLE 2.—TRANSPORTATION MEANS EMPLOYED BY MEMBERS OF 22 AUCTION ASSOCIATIONS, 1937

Association	Regular hauling routes <sup>1</sup>	Percentage of egg receipts delivered by—			Percentage of poultry receipts delivered by—		
		Pro-ducer	Com-mercial truck	Ex-press	Pro-ducer	Com-mercial truck	Ex-press
<b>New Jersey:</b>	<i>Number</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Flemington.....	7	85	15		95	5	
Vineland.....	7	40	60		70	30	
Mount Holly.....	0	100			100		
Paterson.....	2	75	25		98	2	
Hightstown.....	1	93	7		100		
<b>Pennsylvania:</b>							
Doylestown.....	6	60	40		100		
Bethlehem.....	2	67	33				
Center Point.....	4	60	40				
Coatesville.....	5	25	75		75	25	
Butler.....	12	20	60	20			
<b>New York:</b>							
Central Islip.....	2	50	49	1	70	30	
Poughkeepsie.....	5	10	85	5			
Albany.....	0	50	45	5	90	10	
<b>Connecticut:</b>							
Willimantic.....	1	95	5		95	5	
Hartford.....	12	25	74	1	75	25	
Hamden.....	1	75	20	5	100		
<b>Massachusetts:</b>							
Brockton.....	6	45	50	5	77	20	3
Springfield.....	4	25	55	20	60	15	25
<b>Ohio:</b>							
Wooster.....	5	50	50		100		
Bucyrus.....	3	55	<sup>2</sup> 45				
<b>New Hampshire:</b>							
Derry.....	23	23	67	10			
<b>Rhode Island:</b>							
Providence.....	0	90	10		100		
<b>Total or average<sup>3</sup></b>	<b>108</b>	<b>55.3</b>	<b>41.4</b>	<b>3.3</b>	<b>87.8</b>	<b>10.4</b>	<b>1.8</b>

<sup>1</sup> As of Jan. 1, 1938.

<sup>2</sup> Association trailer.

<sup>3</sup> Unweighted.

Source of data: Based largely on managers' estimates.

100 percent. At all except two auctions commercial haulers collect auction eggs. None of the auctions operate their own trucks, but one auction has done some assembling of eggs in a small trailer attached to the manager's automobile. As low as 5 and as high as 75 percent of the eggs are collected by the paid haulers at 20 egg auctions.

Most of the poultry is delivered to the auction by the producer. The average percentage of the live poultry delivered to the 16 auctions handling poultry by commercial haulers was only 10.4 percent in 1937, largely because the poultry sales of members were comparatively infrequent as well as seasonal. Prompt delivery is necessary to avoid shrinkage and death loss. The producers continue to haul practically all the auction poultry except at 7 auctions where from 10 to 30 percent is hauled commercially. Except at the two Massachusetts auctions, no live poultry is received by express.

The total number of regular egg and poultry collection routes operated by commercial haulers at the 22 auctions was 108 in 1937. Three auctions had no collection routes as such; two auctions had 12 routes, and one had 23 routes. The associations with large tributary areas generally had the largest number of routes.

There was considerable range in the rates charged for hauling eggs and for hauling poultry at the different auctions. The most common charges for hauling eggs were 15 to 25 cents per case although many rates were as low as 10 cents and as high as 50 cents per case. The factors most commonly considered in the determination of rates were distance and volume, but a number of different bases were used—as 50 cents for one case and 30 cents each for two or more additional cases, 1 cent per mile per case, and flat rates per case or per dozen irrespective of distance or volume.

The charge for hauling a crate of poultry was usually somewhat higher than for a case of eggs. A few haulers charged 15 cents as the minimum; 25 cents was a more common charge, and some rates were as high as 50 cents.

All but 4 of the 22 associations gave receipts when eggs or poultry were delivered to the auction plant by the producer. Receipts were not issued at the farm by the commercial trucker for 7 of the 20 egg auctions. For the protection of producers receipts should be issued to them when products are delivered, whether at the auction plant or at the farm.

Development of private hauling routes has played an important part in the rapid growth of the egg and poultry auctions. Collection routes usually have been developed under the guidance and supervision of the associations. In this manner route owners and their employees have frequently developed into field men for the association. An increase in the number of members and volume of receipts benefits both the auction and the hauler. Also the contact of the member with

the truckman frequently represents the only personal contact between the member and the association.

### *Receiving*

The auctions have stipulated certain days and hours for receiving eggs and poultry. Eggs are usually received daily, except on the days of sales, between the hours of 8 a. m. and 5 p. m., and on Saturday afternoon and Sunday. A few of the smaller associations receive eggs up to or near the hour of sale on auction days. Since the associations have no refrigerated rooms for holding eggs they do not encourage delivery before the day prior to sale.

Since live poultry is sold only once a week and cannot be held overnight without suffering rather heavy shrinkage, it is usually received on the sales day during the hours just preceding the sale.

Of the 20 associations which sell eggs at auction, 17 have two egg sales per week, and 3 have only one sale per week. When two auctions per week are held, they are usually either on Monday and Thursday, or on Tuesday and Friday. No auction association holds sales on Saturday since, because of a lack of refrigerating facilities, any unsold surplus should be moved into the regular channels of trade not later than the following day. None of the auctions have egg sales on Wednesday, either because they operate on a two-sales per week basis or because Wednesday is the day on which the poultry sale is held.

The hour most frequently designated for the sale of eggs is 1:30 p. m. The second most popular hour is 10 a. m. Other hours of sale run from 9 a. m. until 2 p. m. One auction has its Tuesday egg sale at 2 o'clock and its Friday sale at 10 o'clock.

When two auction associations are close together and may, therefore, compete for buyers, the auction hours or days are usually so staggered that sales at two points will not be in progress at the same time.

Seven of the 16 associations selling live poultry have the sale on Tuesday, 5 on Wednesday, 3 on Thursday, and 1 on Monday. The time of the poultry sales varies from 11 a. m. to 2:30 p. m. The most common hours are at 1 p. m., 12:30 p. m., and 11 a. m. At 7 auctions the poultry sale is held on the same day as an egg sale, usually after the egg sale.

### Handling Eggs

#### *Inspection by Association*

After packing his eggs the member tacks on the end of each case a card showing his name, address, and number. The card also has spaces for indicating the number of cases and dozens in the shipment, the dozens according to size and color, and whether the eggs are un-



FIGURE 9.—INSPECTING EGGS AT THE AUCTION PLANT.

Licensed candlers determine the grades of individual cases of eggs by inspecting 100 eggs to the case. The 100 eggs are candled and are checked for size, shell color, and cleanliness.

graded for size and color. The producer does not indicate the grade of the eggs packed, as this is determined by the association upon inspection.

Upon receipt at the auction plant the eggs are inspected for uniformity of size, shell color and cleanliness, and for interior quality (fig. 9). Inspection for interior quality consists of candling 100 of the 360 eggs which a full case contains. The 100 eggs are usually selected at random on the basis of 10 eggs from each of the ten 3-dozen layers in a case. Generally pullet- and peewee-sized eggs are not inspected; this limits the inspection to eggs of large and medium size. Eggs received ungraded in either whole or part cases and eggs improperly packed or graded by the producer are sometimes fully graded and repacked by the association. A charge is usually made for this extra service.

At several auctions not all cases of eggs from the larger shippers are always actually inspected; the inspector or grader may assign to the entire shipment the grade of a sample number of cases which he has inspected. This is called the "block" or "lot" method of inspection. It is based on evidence that there is little variation in interior quality among sample cases from a large number of cases from one producer.

At first, some auctions candled all eggs received rather than rely upon the inspection method as used by other associations. It soon became clear that the added cost of candling all the eggs increased the handling cost to an extent not justified by the prices received. Consequently the associations soon abandoned the practice. At one association a few individual members ask that all their eggs be



candled and sold as all-candled eggs. An extra charge is made for this service.

The eggs are inspected usually by a State or Federal licensed inspector, generally referred to as the head candler, or by candlers who are under his direct supervision. After inspection the candler specifies the grade for the eggs of each case and lists or checks on the case card comments regarding the number of replacements, their cause, and other defects found in the eggs or in their packing. This case card is later sent to the auction office where the information thereon is transferred to the producer's grading, sales, and settlement report (fig. 18). The settlement report, which is mailed to the producer with a check covering the net returns, likewise shows deductions made for handling, candling, hauling, supplies, and other items.

### *Grades Used*

All but 5 of the 20 associations selling eggs at auction use the State official wholesale grades. The 2 Ohio auctions use the U. S. wholesale grades; the 3 New York auction associations use their own grades. The requirements are much the same for all the auction associations; the chief differences are in the percentages of tolerance<sup>10</sup> allowed and in the minimum weight requirements.

At all except 3 of the 20 auctions a tolerance of 10 percent is allowed; at 1 auction 5 percent is allowed; and at 2 auctions, 20 percent (table 15). The tolerance allowance is especially important in determining the percentage of eggs at each auction which will fall into the two top grades.

Of the 20 associations selling eggs at auction, 13 sell on the basis of gross weight and 7 on the basis of net weight. In table 3 are shown the minimum case weights by egg size at different auctions, and whether the net-weight or the gross-weight basis is used in grading and selling. The net weights per case for large eggs show only one deviation. There are, however, differences in the net weights in the medium, pullet, and peewee sizes. There is more variation in gross weights. These gross weight variations are caused not only by differences in the basic net weights, but also by differences in types of cases, fillers, and flats used.

At some of the auctions where the official State egg grades are used there is a State licensed egg inspector who is usually the head candler. At all other auctions using State grades, no licensed inspector is employed by the auction, but the eggs are subject to occasional or periodic inspection by a representative of the State bureau of markets. Most of the head candlers are men who have had some years of experience candling eggs or who have been trained at college egg-grading schools. Where associations use their own grades there is no

<sup>10</sup> The percentage of eggs allowed in a grade which fall into a lower grade or lower grades.

TABLE 3.—MINIMUM WEIGHT SCHEDULES FOR STANDARD 30-DOZEN CASES OF EGGS ACCORDING TO SIZE GROUPINGS USED BY 20 COOPERATIVE AUCTION ASSOCIATIONS, 1937

Association	Weight basis	Minimum gross weight for—			Minimum net weight for—		
		Large eggs	Medium eggs	Pullet eggs <sup>1</sup>	Large eggs	Medium eggs	Pullet eggs <sup>1</sup>
<b>New Jersey:</b>		<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Flemington.....	Gross..	58	52	48			
Vineland.....	Gross..	58	52	47	45	39	34
Mount Holly.....	Gross..	58	52	48			
Hightstown.....	Gross..	58	52	48	45	40	35
Paterson.....	Gross..	58	52	48			
<b>Pennsylvania:</b>							
Doylstown.....	Net.....				45	40	35
Bethlehem.....	Net.....				45	40	35
Center Point.....	Net.....				45	40	35
Coatesville.....	Gross..	57	52	45			
Butler.....	Net.....				45	40	35
<b>New York:</b>							
Poughkeepsie.....	Net.....				46	40	36
Central Islip.....	Gross..	58	52	48			
<b>Connecticut:</b>							
Hamden.....	Gross..	57	52	46	45	40	34
Hartford.....	Gross..	57	52	46	45	40	34
Willimantic.....	Gross..	57	52	45	45	40	33
<b>Massachusetts:</b>							
Brockton.....	Gross..	57	51.5	46	45	39.5	34
<b>Ohio:</b>							
Wooster.....	Net.....				45	39	34
Bucyrus.....	Net.....				45	40	35
<b>New Hampshire:</b>							
Derry.....	Gross..	57	52.5	48	45	40.5	36
<b>Rhode Island:</b>							
Providence.....	Gross..	57	52	47			
<b>Average.....</b>		<sup>2</sup> 57.5	<sup>2</sup> 52	<sup>2</sup> 46.9	<sup>2</sup> 45.1	<sup>2</sup> 39.9	<sup>2</sup> 34.6

<sup>1</sup> Eggs weighing less than minimum pullet weights are classified as Peewees.

<sup>2</sup> Average of 13 auctions.

<sup>3</sup> Average of 14 auctions.

Source of data: Compiled from association grade specifications.

inspection for adherence to grade standards but there may be inspection at the retail outlets for violation of State laws.

*Grade designations.*—Besides designation as to weight such as large, medium, pullets, and peewees, there are quality designations which vary chiefly by States. Eggs in the top grade are commonly called Fancies, Specials, or Blue Labels; eggs of the second grade are

Extras, Grade A, Red Labels, or Fresh; and those of the third grade, if one is used, are usually Standards. Another third grade often used—the fourth grade at auctions where the Standard grade is the third—is known as Producers, Unclassified, Out of Grade, or Gathered. These are usually eggs not sufficiently well graded as to uniformity of size and interior quality to be given the regular grade designation. Miscellaneous other grades are Dirties (or Soiled), Tints (or Tinted), Checks, Cracks, Undergrades. At some of the auctions duck and turkey eggs are sold in season. Extra large eggs are sold at several of the auctions as Jumbos, Double Yolk, or Very Large. Some of the auctions sell the Checks, Crax, and Leakers to the auction employees, or at retail on the premises in cartons or paper bags.

The percentages of eggs falling into grades other than the two top grades (table 15), is relatively small except at seasons when the volumes of smaller eggs—chiefly pullet eggs and peewees—are large.

When producers deliver part cases, the eggs of several of these part cases must be combined in order to obtain full cases of the same size, color, and quality. At most auctions these combinations, and at some auctions ungraded cases of eggs as well since they also must be repacked according to size, color, and quality (unless sold as Ungraded or Producer's), are sold as "pool" cases rather than by producer number. At least eight auctions do not sell them under the pool title or grade. Instead, these auctions use a number or numbers unassigned to any producer, sometimes number 13, under which to sell these eggs. The number for the pooled cases is often recognized by the buyers as representing the eggs of several producers. As the eggs in these cases are graded at the auction and often all candled, in some instances the pool cases are preferred by the buyers and receive higher prices. Many buyers, however, prefer the full cases of individual producers because of the greater likelihood of more uniform interior quality and yolk color.

According to information obtained from 20 auctions, an average of 9.5 percent of the eggs are pooled. At six auctions, 1 percent or less are pooled; at two auctions, as high as one-third are pooled. Most pooling is done at the auctions where the flocks are small, part case deliveries common, and where there is no charge for part cases above that for full cases.

### *Labeling*

When the eggs have been inspected a label is pasted or tacked on the end of each case (fig. 10). On the label the grade, the net or gross weight, the producer's number, the shell color of the eggs, and at some associations the date of sale are stamped. The labels on cases containing eggs meeting official State or Federal grade standards



FIGURE 10.—SOME CASE LABELS USED BY THE EGG AUCTIONS.

After inspection, the proper label is placed on the end of each case. Besides the official certificate of grade, the labels show the net or gross weight, the producer's number, and the shell color of the eggs.

also bear the official grade label or insignia. On these grade labels, which are of various colors and patterns for the purpose of distinguishing different grades and sizes, are printed the official standards of quality which the grade requires.

Cases containing eggs which have not been graded officially or which failed to meet the standards bear no official grade label. Labels on cases of eggs of this type are stamped or printed separately so as to describe the quality and size of the eggs. For example, at associations where pullet eggs are not sold according to official grades and are, therefore, not inspected, a special case label bearing the term "Pullet" is used and the only additional information stamped on the label is the producer's number and the weight.

### *Cartoning*

Sale of eggs in cartons has been of little importance at the auctions. During their early development most associations attempted to promote the sale of eggs by this method, but with little success. There was lack of demand on the part of the buyers, the majority of whom were house-to-house peddlers and jobbers, who preferred to buy eggs loose or packed in 30-dozen standard cases. A secondary factor was the added cost of the carton and the additional handling.



FIGURE 11.—EGG CARTONS USED BY THE AUCTION ASSOCIATIONS.

The use of cartons is limited mostly to cartoning eggs for the buyers who usually use their own cartons. The use of cartons bearing the auction name has not met with much success.

Chain stores and wholesalers, who have become important auction buyers in recent years, prefer either to candle and carton the eggs in their own establishment or to sell the eggs without repacking.

More recently associations have become aware of the advantage of carrying the identity of their products through to the consumer. With this in view considerable attention has been given by some associations to the possibility of developing a marketing program for State certified eggs in cartons bearing the association's brand name (fig. 11).

So long as present wholesale buyers refrain from purchasing eggs in cartons, however, the responsibility for the promotion of such sales methods has rested with the associations. Realizing this, a few associations have actively promoted sales of certified eggs in cartons direct to retail stores. The extra costs of cartoning, advertising, and delivery service proved discouragingly high. A long-range, well-planned, conservative program in this direction might eventually prove worth while.

### *Inspection by Buyers*

All buyers have the privilege of inspecting eggs prior to sale. Once labeled the cases are stacked, usually in racks to facilitate handling, in lots of similar grades and weights, in a separate room—often in the basement (fig. 12). Here the buyer may inspect the eggs, ascertain the quantities of each grade and weight offered, acquaint himself

with the producer numbers, and make notes of the cases on which he may wish to bid. As stated above, all cases are offered for sale according to producer number, grade, and weight.

During the first few months of an auction's operation it is usually the practice of buyers to inspect the cases offered for sale. As the auction becomes established the buyers come to accept the association's grades and do less and less inspection. New buyers are likely to inspect the cases, to become familiar with the grades and producer numbers.

## Handling Poultry

### *Inspection by Association*

At most auctions poultry is subject to less rigid inspection than eggs. The principal reasons for this are: (1) Little time is available for inspection as the poultry is usually received only a short while before the sale begins, (2) poultry grades are not as well established and as readily accepted by poultry buyers as egg grades, and (3) live poultry, in contrast with eggs, is relatively difficult to grade.

As with eggs, the producer is responsible for the proper grading, or grouping, of poultry at the farm. Poultry is graded according to class, breed, and weight. The number of birds to be placed in a crate is specified by the association in its poultry-marketing rules. At some of the auctions where neither State nor Federal grades are used, live poultry is not inspected except at the buyer's request. At other auctions each bird is handled and judged as it is transferred from one crate to another before the sale (fig. 13).



FIGURE 12.—CASES OF EGGS IN STACKS AWAITING SALE.

When inspected, weighed, and labeled, the eggs are stacked in a cool room prior to sale. Buyers may inspect the eggs before the sale begins.



FIGURE 13.—LIVE POULTRY AT THE AUCTIONS.

The poultry is usually inspected, graded, and tagged before the sale. State or Federal grades for live poultry have been used very little at the auctions.

Three methods of handling empty poultry crates are used at different auctions or sometimes at one auction: (1) The crates may be rented (usually for 10 cents) to producers upon a deposit; (2) crates may be exchanged when the producer delivers his birds (giving him in return a crate of similar type and condition as the one received); or (3) the birds may be transferred from the producer's crate to the association's crate upon delivery to the auction plant. The time and labor involved in transferring birds, the possibility of spreading disease<sup>11</sup> by exchanging crates, and the loss incurred when association crates are lost or exchanged for poor, damaged, or worthless crates, are among the factors determining the method or methods employed. At some of the auctions the expense for crates is large.

After inspection, weighing, and tagging, the crates of poultry of the same class, type, or grade are stacked together on the floor of the poultry room (fig. 14). The crates are then listed on a clerk's record which shows the producer's number, kind of poultry, and the number of crates to be sold in the lot. The poultry is then ready to be sold. It is customary for the poultry buyers to handle or inspect the crates of live poultry in which they are interested before, or even during, the sale.

### *Grades Used*

All except 2 of the 16 associations selling live poultry at auction in 1937 used their own grades. One New Jersey auction used the New

<sup>11</sup> Some of the auctions clean and disinfect every crate after each use.

Jersey State live-poultry grades; an Ohio auction used the Tentative U. S. Standards for Grades for Live Poultry.

Several of the auctions (Albany and Central Islip) sell their live poultry only by breed and class designations, such as Leghorn Broilers, Leghorn Fowl, N. H. Red Fowl, Roasters, Capons, Ducks, and Leghorn Roosters. Most of the auctions using their own grades have two to four grade designations. The top grade is usually No. 1, but it may be Grade A or Straight. Sometimes a No. 2 grade is included but more commonly the second grade is "as is," indicating that the birds in the crate are ungraded, may be of mixed classes, and are not guaranteed as to quality except that the birds are not Culls or Rejects. The bottom grade is Culls. Birds falling into this grade are those taken out of other crates during inspection or brought in by the producer as Culls. Sick or inedible birds are not accepted.

### Description of Selling Methods

When the cases of eggs and crates of poultry have been stacked and listed for sale in auction lots, they are ready to be sold by the auction method; that is, "knocked down" to the highest bidder.

#### *Selling Eggs*

The auction room in which the eggs are sold is usually on the first or ground floor, separate from the room where the eggs to be sold are stacked. This room is arranged so that the buyers sit in seats as in a theater, facing the auctioneer, who stands on a raised platform fac-



FIGURE 14.—STACKS OF POULTRY IN CRATES, AWAITING SALE.

The crates of inspected, graded, and tagged poultry are stacked and may then be inspected prior to sale. During the sale the auctioneer, followed by the buyers, usually passes from one stack of crates to another as they are sold.





FIGURE 15.—SELLING EGGS BY THE AUCTION METHOD AT FLEMINGTON, N. J.

The auctioneer and auction clerk stand or sit in the front of the room, facing the buyers, who sit in seats as in a theater. The sale of eggs, in contrast with the sale of poultry, is usually not held in the room where the eggs are kept.

ing the buyers (fig. 15). Immediately behind and to one side of the auctioneer and in full view of the buyers, there is usually a divided or double blackboard on which a clerk writes the color, grade, number of cases, weight, and producer's number of each auction lot as it is offered for sale (fig. 16).

While the auctioneer is selling the lot of eggs listed on one half of the board, the clerk writes a description of the next auction lot on the other half of the board. A light or an arrow indicates to the buyers the half of the board on which the lot of eggs being sold is described.

At several auctions the sales board has been replaced by different devices and at others it has never been used. The Flemington auction uses an electric projector to throw the lot specifications on a screen. The Doylestown and Center Point auctions distribute to the buyers mimeographed lists from which the eggs are sold (fig. 17). The Derry auction uses a file of lot sheets hung in the front of the auction room. Each sheet contains the details of one auction lot; the front sheet is torn off as each lot is sold exposing the specifications of the next lot. Several of the smaller auctions have never used an auction room or sales board; instead the eggs are sold in the egg-holding room and directly from the specifications on the case labels. The auctioneer and buyers move from case to case as the eggs are sold.

*Order of sale.*—At egg sales the best or top grade is usually sold first. In this grade the large eggs are sold first and then the medium-sized eggs, and so on to the smaller sizes. The reason given for this

procedure is that the best and largest eggs set the high price for the sale and the prices for the other grades are based on these prices. Also the best eggs are sold before the buyers have satisfied their needs, while the maximum number of buyers are present and before any surplus supply has become evident and caused a falling off of prices during the sale. This order of sale is said to give the producer a price more nearly commensurate with quality and size for the top grades than would be obtained by selling the lower grades and smaller sizes first.

On the other hand, several auctions sell the smaller and lower grades first or at least hold the best and largest eggs until the last. Those who employ this order of sale claim that it tends to keep the buyers from leaving before the sale is over. Also, if any eggs are to remain unsold, it is considered best to hold over the higher grades because these can usually be marketed to better advantage after the sale. Some associations sell all the large eggs first, irrespective of grade, and then sell the medium pullet, and peewee sizes in this order. A few auctions mix the grades and sizes and follow no definite grade or size plan. Some auctions state in their rules that eggs will be sold in the order in which they are received except for preference given to the regular shippers by placing their eggs at the beginning of the sale.

In actual practice single-case lots are the most numerous for the auctions as a whole. Although groups of from two to five cases are common when it is desired to hasten selling, lots containing more than four cases are unusual except at several of the largest auctions where as many as 10 cases may be sold as a unit.

In making a sales lot of two or more cases, eight of the auctions use eggs of a single producer and usually eggs of the same grade and similar weight. Six of the auctions may group cases from different

The auction lot of eggs being sold is usually listed on a divided blackboard. This board shows the color; the member's number; the number of cases; and the weight, grade, and size of the particular auction lot being sold. Some of the auctions now use mimeographed lists (fig. 17), a file of lot sheets, or electric projectors (fig. 15) instead of the blackboard.

COLOR <i>Brown</i>	COLOR <i>Brown</i>
MEMBER NO   NO CASES <i>898</i>   <i>2</i>	MEMBER NO   NO CASES <i>158</i>   <i>2</i>
<i>60-62</i>	<i>62-63</i>
GRADE <i>Special</i>	GRADE <i>Special</i>
<i>Large</i>	<i>Large</i>

FIGURE 16.—AN EGG AUCTION SALES BOARD.

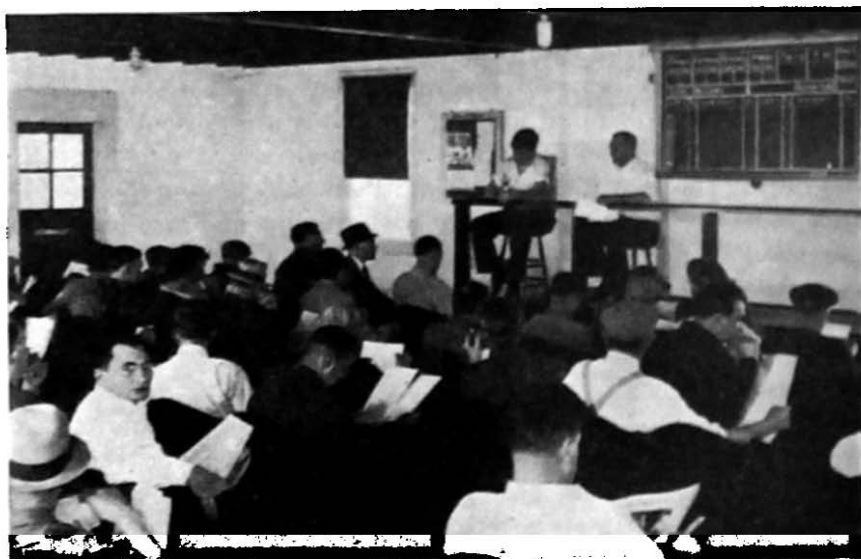


FIGURE 17.—THE EGG AUCTION AT DOYLESTOWN IN OPERATION.

The Doylestown auction now uses mimeographed lists of offerings instead of the divided blackboard shown in the background of the picture.

producers of the same grade and weight. In grouping cases of similar weights a variation of from one-half to 1 pound per case is allowed. Grouping the eggs from several producers tends to destroy the value which goes with the identification of producers' numbers and the quality of their eggs.

*Bids.*—At the appointed hour, with gavel in hand, the auctioneer takes his position in the front of the auction room and offers the first lot of eggs for sale. The opening bids usually come from the buyers but they may come also from an auction employee whose duty it is to bid for absentee purchasers who submit their orders or bids by mail, telegraph, or telephone. This representative of the absentee buyers usually sits in a front row and is known to the buyers who are aware of the fact that he is either buying on an order or for the association under the "stop-bid" policy. (See p. 37.)

The bids are always on a per dozen basis. The succeeding bids or "raises" are usually one-fourth of a cent higher than the previous bid but in three associations  $\frac{1}{2}$ -cent raises are customary. Two auctions initiate each auction lot or offering with  $\frac{1}{2}$ -cent raises but use  $\frac{1}{4}$ -cent raises as the bids approach the final limit for each lot and before the lot is "knocked down" to the highest bidder. One association uses  $\frac{1}{2}$ -cent bids up to about 20 cents per dozen and then accepts  $\frac{1}{4}$ -cent bids for prices above this. Another auction accepts  $\frac{1}{2}$ -cent bids on one-case lots and  $\frac{1}{4}$ -cent bids on larger lots. The  $\frac{1}{2}$ -cent bid basis results in more rapid selling of auction lots than the  $\frac{1}{4}$ -cent bids but bidding on the latter basis may give a slightly higher price.

*Rate of sale.*—The rate of sale in terms of sales lots varies rather widely among the auctions depending upon: The method of posting the sales, the speed of the poster or marker and of the auctioneer, the number of buyers, and the proportion purchased by the association. The rate of sale in terms of cases depends not only upon the number of auction lots sold per hour but in great part also upon the sizes of these lots. According to estimates of 18 auction managers, the number of cases sold per hour varies from 200 to 600, with 300 and 400 cases as the most common rate of sale. Generally, the sales last from an hour to an hour and a half. The actual rate of sale apparently is often considerably in excess of the estimates given by the auction managers because the lots purchased by the auction-buyer at the minimum or "stop bid" price or to fill orders for chain stores or other large buyers may be sold rather quickly.

*Stop bids.*—One of the first problems confronting the associations at their early sales was establishment of a satisfactory basis upon which to base their initial or opening bids. Several attempted to open the bidding at the wholesale price for eggs of a comparable grade as quoted that day in the terminal markets such as New York, Philadelphia, or Boston. Such prices proved to be too high at certain periods and for certain grades, so this policy had to be abandoned. Eventually the making of opening bids was left to the buyers or their representatives.

Following this procedure it soon became apparent that on numerous occasions the highest bids for auction lots failed to equal the prices obtainable through other market outlets. In a number of instances it is alleged that buyers by mutual agreement decided not to pay more than a certain price for eggs of a given quality and size, decided to whom each lot should be sold, and agreed not to bid against each other. It became evident that some method was necessary to prevent the continuance of such a practice and to promote a condition of truly competitive bidding in which the buyers could not maintain prices at unduly low levels.

At the first egg auction sales at Toms River, N. J., the prices received were somewhat below the prices obtainable through the regular market channels. As a result, the association permitted each producer to set a minimum price by bidding once on his own eggs and also stipulated that no eggs were to be sold at a price lower than the price thus set by the producer. This policy was opposed by the New Jersey Department of Agriculture which felt that it would defeat the purpose and principle of auction marketing. The policy did cause many lots to remain unsold. Although the eggs were not sold, the producer was required to pay the auction charges (*l*, p. 16). It was soon found necessary to discontinue the practice of allowing the producer to set a stop or minimum price or allowing any producer

to make any bid on his own eggs for the purpose of forcing a high price. As a result of the experience of the Toms River association, none of the auctions permit any producer to bid on the eggs which he has offered for sale. On the other hand, any producer may bid on any other member's eggs which he actually wishes to purchase. As indicated in table 12 (p. 66), producers buy a considerable proportion of the receipts at some auctions.

The instrument which most of the auctions have adopted and used to prevent unduly low prices caused by buyer collusion or inactive demand at any particular sale is the "stop" price, "bid in" price, or "stop-loss" price as it is variously called. When a bid is offered by the auction as the minimum price, it is commonly called a "stop" bid.

The stop price is the minimum price which will be accepted for a given grade, size, or lot of eggs at a particular sale. It is usually determined by the manager. Should buyers fail to offer bids equal to this predetermined price, the association takes title to the eggs by bidding the stop price in the manner of any regular buyer. The stop price is not announced to the buyers before the sale begins, but, as the sale proceeds, it may be indicated by the bids of the auction's buyer.

Most of the auction associations have been compelled to make use of stop bids from time to time. In the opinion of the managers of the associations, the price protection afforded by the stop-bid practice has been of prime importance in the continued operation of the auctions. Without this protection, the returns to the producers at times would have discouraged their further patronage. Some associations have been compelled to stop sales entirely on a few occasions. Not only have the auctions refused to sell below the stop price at auction, but they have also refused to sell the eggs off sale to the buyers after the stopping of sales.<sup>12</sup>

The stop price is usually determined by taking the market quotation of a nearby terminal market for a comparable grade of eggs and deducting from this quotation the cost of transportation, the selling charges, and other costs which would be incurred if the eggs were sold at the terminal market. As an illustration, if the New York quotation on Large Extras on a certain day was 35 cents, the transportation cost to New York City plus selling and other costs was 4 cents per dozen, the stop price might be set at 31 cents for eggs of this grade. There is no strictly uniform method of calculating the stop prices, however. Not only are different methods used by different auctions, but the method may vary seasonally at the same auction. The distance from market, comparability of grades, market conditions or prospects, auction volume, probable buyer demand, volume of

<sup>12</sup> One of the causes of the failure of the Toms River auction was the selling of unsold eggs off the floor after the auction sales were stopped.

buying orders, and other factors may determine whether the minimum price to be accepted is several cents below quotations, equal to quotations, or above quotations.

Several of the auctions have never used stop bids as such; these associations simply used the prices offered in their absentee-buyer orders as a stop price. While some auctions assert that they still employ stop bids in some way during every sale, their use has become less essential since mail, telegraph, and telephone orders have become more important and actually amount to a stop price when accepted. Furthermore, as the auction method of selling eggs has become fully established, the possibility of buyer collusion which makes necessary the use of stop bids has lessened materially.

Also, the auction buyer who serves both as the agent for absentee buyers and as the placer of the stop-price bids for the association is in an opportune position to prevent buyer manipulation. Although the auction buyer is known to the other buyers they usually do not know whether he is buying on order or bidding to set the stop price.

The auctions have realized that unduly high prices are as much to be avoided as unreasonably low prices. The arbitrary maintenance of prices at a high level tends to discourage buyer attendance and causes them to obtain their supplies elsewhere. On the other hand, relatively low prices will attract a sufficient number of buyers to give fuller play to the supply and demand factors. The result will be that auction prices will soon find their proper level in relation to terminal-market prices.

All the auction managers expressed the opinion that the employment of stop bids had been helpful in maintaining the auction prices in accordance with the market level, that they had served to protect the price level, or had prevented buyer manipulation of auction prices.

*Disposition of stop-bid eggs.*—As a rule few of the eggs purchased or "bid in" by the association can be sold locally. For this reason most of the associations have established jobber and wholesale outlets in the nearest terminal markets. Several of the auctions have sent their stop-bid eggs to the G. L. F. Egg Marketing Service in New York City. This is the only affiliation with a cooperative sales outlet reported by the auction associations prior to 1939. As egg receipts increase beyond the point where they can be sold to advantage at auction, the egg-auction associations may find it advisable to develop joint surplus sales outlets in New York and other terminal markets.

Eggs bid in and sent to terminal-market outlets usually bring a lower net price than the net price received for similar eggs sold at auction. If the producers whose eggs are bid in are paid the same average prices as those sold at auction, the association may lose money on these eggs because of the lower gross price received, the

transportation, and the additional selling costs. Several associations have lost substantial sums of money in this way. The use of egg orders instead of stop bids, as such, and the payment to the producers of the actual prices obtained are two suggested methods of avoiding the losses incident to the handling of stop-bid and surplus eggs.

*Absentee buying.*—As stated above, not all eggs sold at the auctions are sold to buyers who are actually present to bid on the eggs. The auctions either delegate an employee of the association or employ some other person to bid for buyers who are not present but who previously have mailed, telegraphed, or telephoned orders for eggs to be purchased for them. Such orders usually state the volume, grade, and weights desired and in some instances even the producer numbers preferred. A maximum price to be paid on these orders may be stated or it may be left open as an order for a certain number of cases of certain grades and weights with no price limitation set. Buyers usually understand that this service is available and know that they can place orders with the association, whether they are able to be present or not.

This order method of buying is being used to an important and increasing extent. In 1937, a tabulation for the 20 egg-selling auctions indicates that on an average they were selling 28.1 percent to absentee buyers. Three auctions sold more than 50 percent of their eggs on order in 1937. The percentage of sales to absentee buyers varies seasonally and tends to be highest in the spring when prices are relatively low and production and auction volumes high.

During the early development of the auctions, one of the deterrents to order buying was the lack of satisfactory delivery service. The buyer was compelled either to make the trip to the auction or to hire a truck for transporting the eggs. With the development of collection routes, some associations have arranged to have auction haulers deliver the eggs purchased on order to the buyers. This service, paid for by the buyer, has been helpful to both the buyer and the auction and has increased such purchases, especially by large buyers. Such an arrangement has likewise enhanced the earnings of the hauler and incidentally the association volume because these haulers have encouraged membership in the auctions.

In the early years of egg-auction marketing, some of the absentee buyers had the haulers purchase the eggs for them. This practice did not prove satisfactory and has been discontinued.

*"Off sales".*<sup>12</sup>—Although the auction associations were set up primarily to sell by the auction method about half of them now sell eggs by other methods as well, to meet the needs of their customers and to realize the best returns for their members. Three main reasons have been given (4, pp. 14–15) for selling eggs by other than the

<sup>12</sup> "Off sale" refers to the practice of selling the eggs by methods other than over the auction block.

auction method: (1) The volume has been so large at times that it was impossible to sell all eggs to advantage at the auction; (2) some buyers prefer not to buy at auction and it was desired to supply their needs; (3) space to hold all the eggs for one of the two sales per week would necessitate additional room for handling and storage.

Another reason given is that selling eggs between auction sales distributes the handling, inspection, and office work uniformly and thus tends to level off the undesirable work peaks which occur when auctions are held once or twice a week.

Ten of the auctions sell no eggs off sale. Five sell small volumes to accommodate the buyers who occasionally need eggs between auction sales. Two sell from 5 to 10 percent off sale, while three auctions sell about a third of their eggs in this manner. One of the auctions normally selling one-third off sale has sold over 50 percent of its receipts thus during certain months; during other months this percentage has dropped to less than 10 percent.

There is little relation between the volume of egg receipts and the percentage sold off sale. Among the 10 largest auctions, 5 sell no eggs off sale, 4 sell between 1 and 5 percent thus, and 1 sells about one-third off sale. On the other hand, two auctions selling a third of their volume off sale are relatively small associations measured by volume of egg receipts.

*Delivery.*—As soon as the eggs listed on each page of the auction clerk's record (where the double blackboard is used) are sold, the page is sent to the auction office where the amount of each lot is computed and noted on the buyers' sales slips. This makes it possible for the buyer to pay for and receive the eggs soon after he has made his purchases and even before the day's sale is over. When such payment has been made, the buyer is given a receipted duplicate of the sales slip which he presents at the delivery room, where he receives his eggs.

The buyer attending the auction in person nearly always loads his purchases in his truck or automobile and takes them away with him at once. Most of the auctions require that all eggs purchased at a sale shall be removed from the premises not later than noon of the following day. Eggs left at the auction after purchase remain there at the buyer's risk. The mail, telegraph, and telephone purchases are shipped by truck or express as designated by the buyers, usually immediately after the sale.

*Sales on a cash basis.*—The rules of the auctions (appendix A) uniformly stipulate that all eggs are sold for cash or certified check, f. o. b. the auction. Exceptions to this rule have been made; uncertified checks are generally accepted from regular and established buyers. Some associations have allowed eggs to be taken on open account but



this practice is recognized as dangerous and contrary to association policy; it has resulted in substantial losses to some auction associations.

Payments for orders of absentee buyers are handled in several ways. New or irregular small buyers may be required to submit payment with the order or may have the eggs shipped c.o.d. Large established buyers, such as chain stores and organizations which do not customarily pay for merchandise at the time of purchase, may be allowed to purchase on open account.

### *Selling Poultry*

The method of selling poultry at the auctions is essentially the same as the method of selling eggs, except that the auction is usually held in the poultry room where the buyers can actually see the poultry as it is being sold. At some auctions each lot is wheeled in front of the auctioneer's stand as it is offered for sale. At most auctions, however, the auctioneer, surrounded by the buyers, passes from one lot to another. The crates may then be removed to indicate that they have been sold and are ready for weighing and completion of the sales record.

There is no uniform order of sale among the auctions in their poultry selling operations. Generally, however, the better grades are sold first.

The auction lots of live poultry are usually one crate or coop, but some of the larger auctions group as many as four or five crates of poultry of the same grade and class to form a sales lot.

The selling of live poultry is usually slower than that of eggs. From 200 to 300 crates of poultry per hour is the usual rate of sale. This is not only because time is consumed moving from lot to lot, but also because the egg lots tend to be somewhat larger than the poultry lots. As in selling eggs, the bids are usually raised one-fourth cent per bid.

Comparatively little use is made of stop bids in selling live poultry. It is regarded as a weapon which may be employed if necessary to guard against unduly low selling prices. Also at most auctions the volume of poultry purchased by absentee buyers is relatively unimportant. The live-poultry grades used are generally association grades, and poultry buyers feel the need of seeing and inspecting the poultry. There have been few "off-sale" sales of poultry.

When the crates of poultry are sold the buyer's name is written on the crate tags. The net weight of the birds may be determined as soon as the lot has been sold and the birds transferred from the auction crates to the buyers' crates. As with eggs, the poultry is sold for cash or certified check, f.o.b. the auction. Very little poultry is sold on open account.

While the auction is still in process, or immediately thereafter, the poultry is loaded onto the buyers' trucks and hauled away.

## Payments to Producers

### *Frequency*

Cooperative egg marketing associations operating on a pooling basis usually make payments to the members at the end of each pool period, which is generally a week. The first egg auctions made payments to producers after each sale. Later some of the auctions changed to weekly payments so that, at the end of 1937, 10 of the 20 auctions selling eggs made payments once a week. The 10 others, however, still paid the producers twice a week. Two auctions which handled both eggs and poultry paid three times a week, twice for eggs and once for poultry. At auctions where both eggs and poultry are sold and payment made for eggs weekly, the payment for poultry is, with two exceptions, made at the same time as the payment for eggs. Payment weekly instead of twice or more weekly materially reduces the amount of office work and expense, especially that for postage and mailing.

### *Method*

All the associations pay the producers by bank check. These checks are usually mailed to the producer with the original of the grading and sales report (figs. 18 and 19). Some producers who deliver their own eggs and poultry to the auctions receive their checks

FIGURE 18.—EGG GRADING AND SALES REPORT USED BY AN AUCTION ASSOCIATION.

The grading and sales reports used at the different auctions are quite similar. The one shown is the egg-grading or patrons'-settlement report used by the Center Point auction.

Tri-County Producers Cooperative Association, Inc. <small>PO BOX CENTER POINT PA</small> <small>WYOMING, PA.</small>							
Name of Patron _____				Lot No. _____			
Address _____				Date _____			
<i>Patron's Settlement - Grading Report</i>							
Gr. No.	Grade	Av. No.	Weight	Volume	Notes		
	Fancy Large						
	Fancy Medium						
	Extra Large						
	Extra Medium						
	First-Fancy Large						
	First-Fancy Medium						
	First-Extra Large						
	First-Extra Medium						
	First-Standard Large						
	First-Standard Medium						
	Standard Large						
	Standard Medium						
	Producer Large						
	Producer Medium						
	Futility						
	For Weigh						
	Loss-Subject						
		TOTAL					
Deductions:							
	Shelling						
	Cracking						
	Clamp, Shells, etc.						
	Expenses						
	Patrol Deductions						
Net Check No. _____ attached							
<small>NOTE: Add name of auction with name of patron on first page.</small>							
19      Reported From Lot No.							
Crop	GRADE			VOLUME			Color
	White	Brown	Dark	Other	Quarts	Doz.	
							White <input type="checkbox"/>
							Brown <input type="checkbox"/>
							Thin <input type="checkbox"/>

stantially higher deductions on these. The average deduction per case is 40.3 cents for full cases graded, 50 cents for part cases graded, 53.8 cents for full cases ungraded, and 56 cents for part cases ungraded. In effect the associations penalize more for ungraded eggs than for part cases.

The deduction for handling poultry is on a per crate basis at 12 auctions, a basis of 1 cent per pound at 2 auctions, and is 5 percent of the gross sales price at 2 auctions. Six auctions charge 40 cents per crate for handling poultry; others charge from 35 to 50 cents. Only two changes have been made in poultry-handling deductions, and these have been decreases.

### *Candling*

At the producer's request some of the auctions will candle all his eggs. The extra charge for candling all the eggs in a case (in contrast with the regular practice of candling 100 eggs in inspection) is usually 15 cents. When a producer's pack of eggs is questionable as to grading and quality, some of the auctions candle his eggs and charge him for this service.

### *Replacements*

In inspecting or candling a producer's eggs, it may be necessary to replace some as a result of shell condition, bloodspots, size, or other defects. Some of the auctions charge the producers for these replacements, others do not, and some charge only if the replacements exceed six eggs. The basis for replacement charges may be the price for a comparable grade at the previous sale, or the cost to the auction measured by the difference between the average selling price and the price of the rejects.

### *Membership*

The amount of the annual dues may be deducted from the payments to the member. The amount of the annual dues is usually deducted from the returns for the first shipment made in the new membership year.

### *Other Deductions*

Deductions may be made for deposit or rental on coops, for postage, and for purchases made by the member of poultry crates, egg cases, flats and fillers, egg scales, and poultry supplies handled by the association. About 85 percent of the producers obtain their egg cases, and flats and fillers from the auctions. These are used containers which have been purchased by the auctions, put in order by them, and sold at cost or at a small profit. At the time of the survey the most

common price to the producers for used cases, with flats and fillers, was 15 cents, with a range in price between auctions of from 10 to 20 cents. The producer survey showed that the producers had obtained their cases (with flats and fillers) at from 5 to 20 cents. Some producers buy their cases directly from local stores. When there has been a shortage, some of the auctions have been compelled to pay extremely high prices for used cases. Since the auction members employ used cases which cost them about 15 cents, they have a case-cost advantage over the members of the western pool associations whose cases (with flats and fillers) cost about 40 cents each.

When eggs and poultry are delivered by trucks or express, the transportation charge is usually paid to the hauler by the auction which makes the deduction from the returns to the producer. (See pp. 21-23.)

### Financing

In the original operation of the auctions little capital was necessary either for operating purposes or for facilities or equipment. The simple method of handling one product on a flat per unit cash commission basis made operating capital necessary chiefly for current operating expenses. All the auctions at the outset rented rather than purchased buildings as little office or plant equipment was required. The small amount of capital required to meet current expenses was supplied chiefly from membership fees, annual dues, and from handling deductions. Later, when supplies were handled, the margins on these afforded some additional capital.

Only a small amount of operating capital was required as long as sales were made on a cash commission agency basis. No funds were needed for taking ownership of products or for buildings, and only small amounts for cases, crates, and office and warehouse supplies. As time passed, however, most of the auctions invested in buildings, gave short-time credit on sales to chain stores and to some other buyers, and increased the number of other capital-requiring services.

Most of the auctions have wisely maintained the level of their handling and other deductions in spite of lower per unit costs. The resulting earnings have usually been accumulated and retained year after year to build up capital for anticipated future needs. Eight associations, however, have made some distribution of earnings in the form of patronage dividends, totaling \$38,243. Prior to 1938 none of the auction associations had adopted the revolving fund or any other systematic method of building up capital.

The finances of these associations are discussed in some detail in a later chapter.

## Other Services to Members

As time has passed, the services rendered and functions performed by the auctions have increased and broadened. Eighteen of the auctions undertook at first to sell only eggs and 3 to sell only poultry. Only one auction undertook to handle eggs and poultry simultaneously.<sup>14</sup> Later 15 of the auctions added either eggs or poultry to the product originally sold, and at the end of 1937 all except 6 of the 22 auction associations were marketing both eggs and poultry.

In addition to marketing these products all the auctions now handle egg cases, flats and fillers, or poultry crates. Many handle such supplies as egg baskets, egg scales, candling lamps, nests, waterers, and egg cleaners. Several of the associations sell livestock at auction; during its 1936-37 fiscal year, the Flemington auction sold 7,485 head of livestock for a total amount of \$100,640. One association is now selling gasoline and oil; another sells paints, tires, batteries, oils, sprays, wire fencing, roofing paper, and brooders. None of the auctions handle feed, seed, or fertilizer in addition to poultry products. The auctions usually handle the minor supplies at cost, as an accommodation to the members. Some of the auctions expect eventually to handle additional items of poultry supplies.

In addition to the two important services, marketing poultry products and purchasing poultry supplies for the members at cost, the associations render a number of other important services, some of which are intangible and difficult or impossible to measure. Important among these is the educational work in improvement of flocks; in production, handling, and grading practices; and in care and frequency of marketing.

## Operating Results

### Number of Members

AT THE close of 1937 the 22 auction associations reported a combined active membership of 13,068.<sup>15</sup> This membership was equal to 64 percent of the 20,464 producers who were or had at some time been members of the auctions since the organization of the Flemington association 7 years earlier. (See fig. 20.)

The original number of members reported for these associations when organized ranged from 10 to 100 and averaged 44 per association (table 5). At the beginning of 1938, the average active membership for each auction was 594 with a range of from 150 to 2,263, as shown in table 5.

<sup>14</sup> As an accommodation, a few cases of eggs were sold by 2 poultry auctions at their first sale.

<sup>15</sup> An active member is one who makes one or more shipments a year. The number shipping only once a year is relatively small.

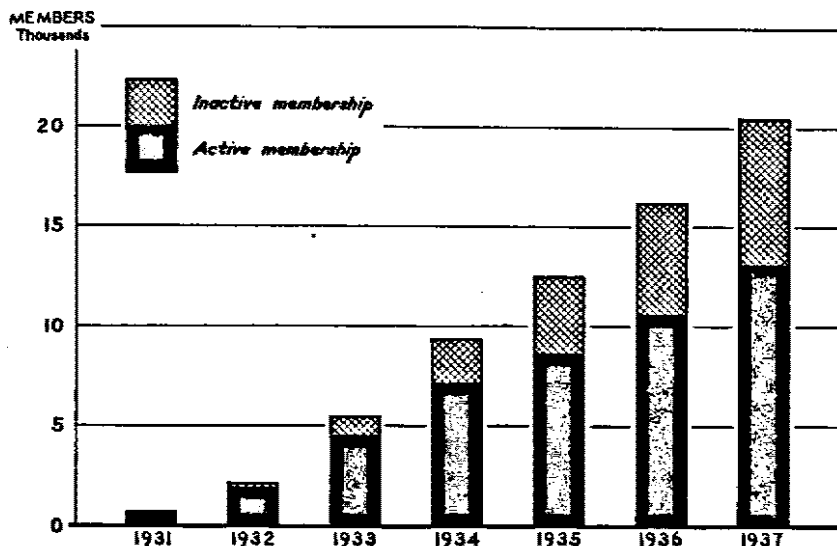


FIGURE 20.—TOTAL ACTIVE AND INACTIVE MEMBERSHIP OF EGG AND POULTRY AUCTION ASSOCIATIONS, BY YEARS, 1931-37.

The number of poultry producers using the auctions has grown rapidly. The total number of active members increased at an annual average rate of 76 percent over the previous year. Of the 20,464 producers who were or had been members, 64 percent were active members in 1937.

There is a wide range in the ability of the auctions to furnish a satisfactory market outlet for their members from year to year, as measured by the percentage of members who continue to use the auctions. In 1937 the percentage of the total cumulative membership which was active ranged from 28 percent to 95.6 percent at individual auctions. The average for all auctions, as indicated, was 64 percent. Certain factors responsible for the small portion of active membership at some auctions are beyond the association's control. On the other hand, most of the auctions have done little to increase the number of active members.

### Patronage of Members

Although the number of active members is important as a measurement of member satisfaction, the extent to which active members use the association as a sales outlet is more significant. Particularly is this true of the auction associations as all of them operate without any form of marketing agreement with members.

During the survey 564 members in 22 associations furnished information on their market outlets for eggs sold in 1936.<sup>18</sup> Slightly more than 50 percent of these reported selling all eggs marketed

<sup>18</sup> In the membership phase of the study, 675 producers were interviewed. Of these producers, 601 were members, 69 were nonmembers, and 15 had been members.

TABLE 5.—MEMBERSHIP OF 22 AUCTION ASSOCIATIONS: NUMBER AT START OF OPERATIONS, CUMULATIVE TOTAL, NUMBER ACTIVE, AND AVERAGE YEARLY INCREASE SINCE ORGANIZING

Location of association	Members at start of operation	Cumulative total to Jan. 1, 1938	Active membership		
			Active members Jan. 1, 1938	Average percentage of cumulative total	Average yearly increase
<b>New Jersey:</b>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Percent</i>	<i>Percent</i>
Flemington.....	36	3,394	2,263	66.7	27.5
Vineland.....	35	1,150	691	60.1	29.4
Mount Holly.....	21	1,265	770	60.9	18.6
Hightstown.....	25	500	478	95.6	105.6
Paterson.....	10	582	337	57.9	107.3
<b>Pennsylvania:</b>					
Doylestown.....	44	914	690	75.5	51.8
Bethlehem.....	30	370	270	73.0	32.2
Center Point.....	75	512	351	68.6	25.9
Coatesville.....	33	430	310	72.1	60.8
Butler.....	67	752	527	70.1	67.2
<b>New York:</b>					
Poughkeepsie.....	23	1,196	626	52.3	19.7
Albany.....	50	1,155	324	33.7	-17.7
Central Islip.....	26	890	300	28.1	47.0
<b>Connecticut:</b>					
Hamden.....	59	1,238	937	75.7	38.6
Hartford.....	59	1,193	846	70.9	17.1
Willimantic.....	21	475	275	57.9	79.8
<b>Massachusetts:</b>					
Brockton.....	42	1,464	1,009	68.9	25.5
Springfield.....	60	595	400	67.2	34.5
<b>Ohio:</b>					
Wooster.....	68	823	516	62.7	34.7
Bucyrus.....	100	297	175	58.9	2.7
<b>New Hampshire: Derry.....</b>	24	1,033	823	79.7	83.8
<b>Rhode Island: Providence.....</b>	60	236	150	63.6	50.0
<b>Total.....</b>		20,464	13,068		
<b>Average.....</b>	44	930	594	63.9	42.4

Source of data: Compiled and computed from records of associations by the authors.

through the auction (table 6). An additional 14 percent marketed from 75 to 100 percent of their eggs through the auctions, 14.5 percent from one-half to three-fourths, and 21 percent less than half. The interviews brought out that at one association 81 percent of the members used the auction as a sales outlet for all eggs marketed; whereas, at another association, none or only a small proportion, of the members sold all eggs marketed through the auction. To approx-

TABLE 6.—PERCENTAGE OF TOTAL EGG MARKETINGS SOLD THROUGH THE AUCTIONS BY 564 MEMBERS, 1936

Eggs sold through auctions (percent)	Members interviewed	Percentage of total membership
	<i>Number</i>	<i>Percent</i>
100.....	283	50.2
75 to 99.9.....	80	14.2
50 to 74.9.....	82	14.5
25 to 49.9.....	61	10.8
Less than 25.....	58	10.3
<b>Total.....</b>	<b>564</b>	<b>100.0</b>

Source of data: Personal interviews with 564 members from 22 auction associations in 1937, by the authors.

imately 80 percent of the active members the auctions were important or the principal outlets for the eggs marketed. To the remaining 20 percent, the auctions were more or less temporary or secondary sales outlets.

In view of the competitive conditions in areas in which most of the auctions operate and the lack of marketing agreements, the extent to which members used the auctions may be considered satisfactory. As indicated above, there are many members who continue to sell a portion of their eggs outside the auctions. Apparently they still retain satisfactory outlets, many of which were established prior to membership in the auction associations. Retail routes, local buyers, and hucksters were found to be the most common alternative market outlets. Commercial hatcheries, although not yet common, are becoming more important as outlets for eggs seasonally and in some auction areas throughout the year.

Members who sell eggs to outlets of the types mentioned tend to use the auction only when their production exceeds the demand of these regular sales outlets. This is naturally during the peak-production seasons. For this reason the auctions have become in some respects surplus outlets for sizable portions of their memberships and are, therefore, subject to wider fluctuations in egg receipts than would result from normal seasonal fluctuations in production.

Data from eight of the associations indicate that the number of members selling eggs through the auctions weekly in 1937 was equal to 45 percent of the active membership. For the group, the percentage ranged from an average of 31.6 percent for the week of the minimum number of shippers to 61.5 percent for the week of the maximum number of shippers. On an individual basis, one association had 89 percent of its members shipping during its highest week, while another had only 22 percent during its lowest week. Corresponding figures







at eight additional associations, which provided data on shippers by individual sales rather than by weeks, showed that on an average only 28 percent of the active members were represented at the individual sales. The highest percentage of the active members represented at an individual sale during the year was 52 percent and the lowest, 13.5 percent.

### *Membership Work*

As a group, the auctions have done little membership work, either directly or indirectly. During their early development there was little need for such work, as the membership consisted of a small group of local producers engaged in an effort to improve egg-marketing conditions. As the membership expanded both in number and in distance from the auction, general satisfaction with prices, selling charges, and services rendered by the association continued sufficiently strong to submerge any apparent need for membership work. Contacts with the association were frequent, as most of the producers delivered their products directly to the auction plants.

In recent years expansion of the auction areas has necessitated the development of truck routes which have eliminated to a large extent the direct contact of the member with his association. Likewise, the increased number of members has made close contacts less possible. Under such expansion, the benefits of the association, although equally as great or greater, come to be taken for granted by the member, or at least no longer fully appreciated. To counteract the effect of decreased opportunities for contact and diminishing of interest on the part of the member, it is essential as the auctions grow to keep the members informed as to the purposes, methods, and accomplishments of the association.

Only 5 of the 22 associations used their own house organ in the form of a weekly, monthly, or quarterly news letter as a means of regular contacts with members. At the other associations, contacts with members were limited to the occasions when the member delivered his eggs or poultry to the auction plant and to annual meetings. Members serviced by truck routes seldom have contact with the association or its officials; this is particularly true of those more distant from the auction plant.

Realizing the danger of this situation, the Brockton association in 1936 divided its area into 12 districts for the purpose of holding regular local meetings. This is the only association which has developed a systematic plan for local meetings, although some associations have held local meetings occasionally to help members improve the quality of their products.

## Membership Attitudes

The contents of this section are based on information obtained during this study by personal interviews with 601 active members visited at random in the production areas of the 22 associations. The number of members visited in each auction area varied from 20 to 50, depending chiefly upon the relative size of the association.

The information presented deals with replies to questions which were asked in an effort to get some indication of the opinions and attitudes of the members regarding their expectations of the auctions, the ability of the auctions to meet these expectations, and the associations' operating policies.

### *Reasons for Joining*

The most frequent reason for becoming members given by 601 producers who sold eggs or poultry or both through the auctions was the desire to obtain higher prices (table 7).

Second in importance, particularly among those selling poultry through the auctions, was the need of a more dependable sales outlet. The unreliability of the farm-to-farm buyers formed the basis for numerous replies of this nature.

The need of a new, special, or surplus outlet was the third most important reason given for joining. As stated above, many auction members continue to patronize outlets with which they had become associated prior to membership in the auctions and patronize the auctions only at times when production is in excess of these regular

TABLE 7.—REASONS GIVEN BY MEMBERS FOR JOINING EGG AND POULTRY AUCTION ASSOCIATIONS AND REALIZED BENEFITS, AS STATED BY MEMBERS

Reasons for joining and benefits received	Anticipated benefits from selling—		Realized benefits to members
	Eggs	Poultry	
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Higher prices.....	37.4	44.7	52.7
More dependable sales outlet.....	18.0	28.1	10.8
New, special, or surplus outlet.....	20.1	7.3	12.4
More financially reliable outlet.....	4.0	7.1	4.9
Convenience.....	6.2	6.4	5.2
Other advantages.....	14.3	6.4	14.0
Total.....	100.0	100.0	100.0

Source of data: Personal interviews by the authors with 601 members from 22 associations, in 1937.

demands. Consequently, the auctions receive the seasonal surplus of this type of member. That a need existed for a more satisfactory outlet is evidenced by the frequency of this reason for joining the auction. During periods of low production, some producers who sell only their surplus through the auctions purchase eggs from the auctions to supplement their own production and satisfy the demands of their regular market outlets.

The need for market outlets with financial reliability was the fourth most important reason influencing the members to join. This need arose from the increasingly common practice, on the part of numerous farm-to-farm buyers and itinerant hucksters, of giving worthless checks. In some areas this practice was formerly very common.

The convenience of auction selling was apparently about equally important to those selling eggs and to those selling poultry. It was fifth in importance as a reason for joining.

### *Benefits Realized*

Nearly 94 percent of the members interviewed indicated that they had realized the benefits anticipated from the auctions; only 3 percent stated that they had not. An additional 3 percent gave miscellaneous replies. Table 7 shows the close relation between the benefits anticipated and the benefits realized; this table indicates in percentages the relative importance of the reasons given for joining the auction and of the benefits reported to have been received. More than 50 percent of the replies indicated that the members had received higher prices by selling through the auction. Only 37.4 percent of those selling eggs and 44.7 percent of those selling poultry gave higher prices as the reason for joining. Apparently higher prices were received more often than had been expected. Other reasons for joining and the benefits received likewise indicate a high degree of fulfillment of expectations.

*Price enhancement.*—In an effort to measure the price benefits received, the members were asked to estimate the amount of price benefit for which the auction could be given credit. Less than 5 percent of those replying indicated that no price benefit resulted from selling eggs through the auctions. More than one-fourth of the members stated that the price benefit was 3 cents per dozen. About an equal portion gave an estimate of 4 cents per dozen. A number of others replied that price benefits amounted to 5 cents or more per dozen. Thus, about two-thirds of the members stated that they had received price benefits of 3 or more cents per dozen over those obtained through their former outlets for eggs. About 13 percent of the replies

indicated that some price benefit had been obtained but did not estimate the amount.

Of the members interviewed who sold poultry, 20 percent estimated a price increase amounting to 3 cents per pound; 21.5 percent claimed increases averaging 4 cents per pound. Slightly more than 18 percent estimated that the price advantage amounted to 5 cents or more per pound. Thus, about 60 percent were of the opinion that the price benefit on poultry amounted to 3 cents or more per pound. Twelve percent of those replying claimed there was no price advantage in selling poultry through the auction. Almost 18 percent failed to give an estimate but indicated that the auctions had improved price conditions.

*Improved market conditions.*—Approximately 85 percent of the members interviewed stated that the auctions had improved marketing conditions of eggs and poultry in their respective areas. Only 4 percent stated that the auctions had not, and 11 percent did not know.

Almost a third of those stating that the auctions were responsible for improvements in egg and poultry marketing conditions felt that the chief improvement was the establishment of a dependable sales outlet. To an additional 18 percent the higher relative price level for eggs brought about by the auctions' operations was considered the chief improvement. A general improvement in marketing conditions was claimed by 15.6 percent, while the fact that the auctions have become price-establishing mechanisms within their operating area was considered most important by 11 percent of those attributing improved market conditions to the auctions (table 8).

TABLE 8.—IMPROVEMENTS IN EGG AND POULTRY MARKETING CONDITIONS ATTRIBUTED TO THE AUCTION ASSOCIATIONS

Improvements attributed to auctions	Replies	
	Number	Percentage of total
Established a dependable outlet.....	165	31.4
Raised relative price level for eggs and poultry.....	95	18.1
Made general improvement in marketing conditions.....	82	15.6
Established prices for production area.....	59	11.2
Improved quality of products.....	37	7.0
Decreased number of farm-to-farm buyers.....	32	6.1
Miscellaneous.....	56	10.6
Total.....	526	100.0

Source of data: Personal interviews by the authors with 526 members from 22 associations, in 1937.

### *Attitude on Auction Charges*

Closely aligned with price benefits is the attitude of the members with respect to the cost of selling through the auctions. Almost 82 percent of those interviewed stated that the charges made were reasonable and satisfactory; 13.5 percent felt that the charges were excessive. About 4 percent stated that at times the charges were excessive in relation to the prices received.

### *Attitude on Grades Used*

The policy followed by all the auctions of requiring the producer to grade the eggs for uniformity, size, and color at the farm is uncommon among egg and poultry marketing associations. However, such a policy is responsible in great part for the relatively low cost of auction selling as now practiced, since it eliminates a service which is usually performed by the association at the member's expense.

As a further aid in the production of high-quality eggs, the members are instructed to gather the eggs frequently and to make proper provisions for cooling and holding until delivered to the auction. Consequently the member, in order to meet the auction standards for the upper grades, is required to expend more time and effort than the average nonmember. Apparently the members realize the need for such a system of grading as indicated in their replies to a question concerning auction grades. More than 87 percent expressed satisfaction with the grades used, while only 8 percent considered the grades too strict in one way or another. The remaining 5 percent gave miscellaneous replies.

That the auctions may have been influential in improving the quality of eggs among their members is evidenced by the fact that 55 percent of the producers interviewed stated that they had improved the quality of their eggs through proper grading, care, and feeding since becoming auction members. On the other hand, the remaining 45 percent claimed that the auction had not been influential in improving the quality of eggs. The chief reason for this large proportion of negative answers seems to be that prior to the auctions many producers in these areas were already producing eggs of high quality for other outlets.

### *Member Loyalty*

A serious problem of practically every auction, especially those located in close proximity to summer resorts and urban centers, is the competition of other sales outlets. This is especially true during the summer months when production is at a low level and there is an active demand for fresh eggs. During the remainder of the year,

there may be local outlets which offer attractive prices from time to time but which rarely afford a constant demand.

Members of the auctions are free to sell their produce wherever they wish at all times. The members were asked to what extent they sold to other buyers when offered higher prices. Fifty-six percent replied that they would not sell elsewhere than to the auctions even when higher prices were offered; 32 percent indicated that they would accept higher prices. The remaining 12 percent qualified their reply in such a way that the answer was not clear. It is apparent, however, that at least a third of the membership is open to price inducements. On the basis of the sample taken at individual auctions, the percentage of members who would sell elsewhere whenever higher prices were offered ranged from 6.5 percent to 66.7 percent, while the percentage of those indicating they would not sell elsewhere when offered higher prices ranged from 11.8 percent to 77.4 percent.

### *Attitude Toward Marketing Agreement*

In further inquiry the producers were asked if in their opinion the auction should have a marketing agreement with its members requiring them to sell all eggs, other than those used at home or for hatching purposes, through the auction. Almost two-thirds replied in the negative while about one-fourth were in favor of such an agreement. More than 10 percent were undecided. It is apparent that should the auctions consider the use of a marketing agreement, the members will need to be informed as to its purpose, function, and need before they will sign it.

### *Membership Interest*

More than 95 percent of the members interviewed felt that they were a part of the association, that the auction was their association and working for their interest. Only 15 percent, however, took an active interest in the operation and management of the auction. Only 28 percent had voted at each annual meeting since becoming members, while 72 percent had failed to vote at annual meetings or had never attended one.

Almost 90 percent of the members interviewed were personally acquainted with the auction manager. Fifty-five percent had attended one or more auction sales to view the actual selling of the product. This suggests an interest in the unique selling methods used by the associations and implies that tours for members from the various sections of the auction area might be successfully planned and carried out. This should prove an effective means of informational work among members.



About 30 percent of the members have no contact with the association or its officials. The contacts of the remaining 70 percent range from an occasional visit with the manager or a director to twice-a-week contacts when the member delivers his products to the association.

As the proportion of members in more distant areas increases, it is evident that these incidental personal contacts will become fewer unless definite attempts are made to visit the member at the farm or to arrange local meetings.

### Volume of Sales

During the 7-year period following the organization of the first auctions in New Jersey the volume of eggs sold by the auction method increased from 13,510 cases sold by 2 auctions in 1930, to 947,210 cases sold by 20 auctions in 1937 (table 9). (See also fig. 21.) The total receipts of poultry increased from 8,336 crates in 1931 to 172,314 crates in 1937.

From 1932 to 1938 the rate of yearly increase in egg receipts averaged 65 percent for associations selling eggs by the auction method. On the same basis the rate of increase in poultry receipts averaged 72 percent yearly for those associations handling poultry. Most of the auctions have shown a fairly rapid and consistent increase in volume. A few associations, however, have made little progress since the first year of operation.

Yearly receipts at individual egg auctions ranged from 8,476 cases to 123,139 cases in 1937. Two associations, the oldest, handled over 100,000 cases each, 5 handled from 50,000 to 100,000 cases each and 9 handled between 25,000 and 50,000 cases each. (See table 10.)

TABLE 9.—GROWTH OF EGG AND POULTRY AUCTION ASSOCIATIONS, 1930-37

Year	Associations operating	Active members	Volume handled	
			Eggs	Poultry
	Number	Number	Cases	Crates
1930.....	2	350	13,510	.....
1931.....	4	751	57,236	8,336
1932.....	11	1,951	137,098	21,198
1933.....	18	4,516	293,661	49,610
1934.....	21	7,139	422,210	66,112
1935.....	21	8,595	528,365	99,066
1936.....	22	10,538	707,051	138,649
1937.....	22	13,068	947,210	172,314

Source of data: Compiled from records of the auction associations by the authors in 1938.

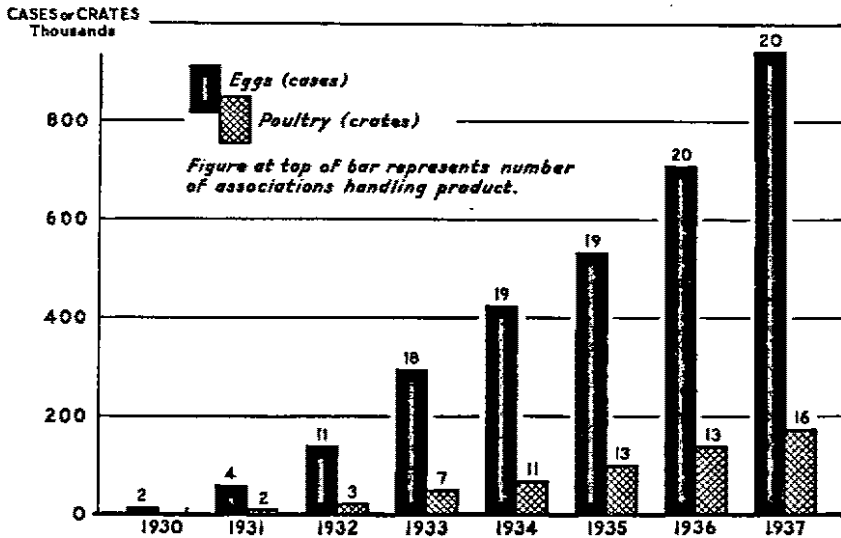


FIGURE 21.—VOLUMES OF EGGS AND POULTRY MARKETED AT AUCTION BY COOPERATIVE AUCTION ASSOCIATIONS, BY YEARS, 1930-37.

Volumes of eggs and poultry sold by the auction method have shown steady and rapid growth. Nearly 1,120,000 units of poultry products were marketed in 1937.

Poultry selling is a relatively important supplement to the egg business at only 6 auctions; each of these handled more than 10,000 crates of poultry in 1937. Receipts at 13 associations which handled poultry for the full year ranged from 1,369 to 46,357 crates. Three additional associations undertook the selling of poultry at auction as a supplement to the selling of eggs.

The average weekly receipts of eggs at the 20 associations in 1937 ranged from 163 cases per week to 2,368 cases. Average weekly receipts of poultry ranged from 26 crates to 891 crates during 1937.

### Value of Sales

The sales value of eggs sold by the auction method by 20 associations totaled \$8,027,773 for the calendar year 1937. The two associations which sold poultry by the auction method but sold eggs on a pool basis reported combined egg sales of \$345,340. Egg sales by individual auctions ranged from \$58,604 to \$1,060,246 (table 10).

Poultry sales for the 16 associations handling poultry totaled \$1,688,465 during the year. The range in yearly sales for the 13 associations which operated for the full year was from \$15,385 to \$443,333.

TABLE 10.—TOTAL VOLUME AND VALUE OF EGGS AND POULTRY SOLD AT AUCTION BY 22 COOPERATIVE AUCTION ASSOCIATIONS, 1937

Location of association	Egg receipts		Poultry receipts		Combined receipts	
	Volume	Sales value	Volume	Sales value	Volume	Sales value
<b>New Jersey:</b>	<i>Cases</i>	<i>Dollars</i>	<i>Crates</i>	<i>Dollars</i>	<i>Units<sup>1</sup></i>	<i>Dollars</i>
Flemington.....	123, 130	1, 090, 240	46, 357	442, 233	169, 487	1, 532, 473
Vineland.....	111, 968	902, 926	12, 506	100, 249	124, 474	1, 003, 175
Mount Holly.....	13, 558	124, 640	14, 082	172, 874	27, 640	300, 514
Hightstown.....	37, 620	331, 037	898	11, 243	38, 518	342, 280
Paterson.....	25, 728	225, 620	5, 699	57, 800	31, 427	283, 420
<b>Pennsylvania:</b>						
Doylestown.....	71, 271	584, 378	5, 122	46, 146	76, 393	630, 524
Bethlehem.....	26, 179	308, 445			26, 179	308, 445
Center Point.....	46, 090	284, 959			46, 090	284, 959
Coatesville.....	32, 586	288, 180	11, 327	85, 176	43, 912	373, 356
Butler.....	62, 804	429, 118			62, 804	429, 118
<b>New York:</b>						
Poughkeepsie.....	31, 608	265, 474			31, 608	265, 474
Central Islip.....	17, 569	182, 719	6, 851	61, 279	24, 410	243, 998
Albany.....			1, 676	18, 285	1, 676	18, 285
<b>Connecticut:</b>						
Hamden.....	33, 300	287, 237	38, 315	308, 416	71, 615	595, 653
Hartford.....	63, 423	530, 064	17, 540	188, 960	80, 972	718, 024
Willimantic.....	8, 476	78, 284	5, 433	41, 654	13, 909	119, 938
<b>Massachusetts:</b>						
Brookton.....	33, 545	706, 904	9, 114	84, 894	42, 659	791, 798
Springfield.....			1, 309	16, 308	1, 309	16, 308
<b>Ohio:</b>						
Wooster.....	45, 780	306, 307	4, 495	42, 210	50, 275	348, 517
Bucyrus.....	5, 694	58, 604			5, 694	58, 604
<b>New Hampshire:</b>						
Derry.....	84, 269	726, 572			84, 269	726, 572
<b>Rhode Island:</b>						
Providence.....	13, 461	116, 635	1, 301	11, 824	14, 762	128, 459
<b>Total.....</b>	<b>947, 210</b>	<b>8, 027, 778</b>	<b>172, 314</b>	<b>1, 688, 465</b>	<b>1, 119, 524</b>	<b>9, 716, 238</b>

<sup>1</sup> A unit is a case of eggs or a crate of poultry.

Source of data: Compiled from records of associations by the authors in 1938.

Combined sales of eggs and poultry sold by the auction method totaled \$9,716,238 for 1937. The inclusion of eggs sold on a pool basis by the two associations operating poultry auctions would increase the total sales to \$10,061,578 for 1937.

In addition to eggs and poultry some of the auctions sell other farm products as a service to the members. The value of these products is insignificant except at the Flemington association where a livestock auction established in 1935 has been remarkably successful. Livestock sales at this auction during the fiscal year 1936-37, amounted to \$100,639, an increase of 124.8 percent over the previous year's sales.

Sales of supplies to members of the auction associations amounted to approximately \$125,000 in 1937.

## Seasonal Volume of Receipts

### *Eggs*

The problems generally inherent in the marketing of a perishable commodity such as eggs, have not been particularly acute with the egg and poultry auctions. They are located in deficit-production areas and handle relatively small volumes so that current demand has usually been sufficient to move the receipts at all seasons of the year. Unlike some larger associations located at greater distances from market and operating in areas of surplus production, the auctions have not found it necessary to assume the added risk and expense of storing and planned merchandising. Furthermore, the method of selling and the relatively small overhead costs have made it comparatively easy to adjust operations to changes in volume.

Recently, however, some of the larger auctions have recognized a need for developing broader market outlets for eggs during the peak months of receipts. Egg receipts during the peak period of production were more than sufficient to meet the demands of the retail type of buyer who provides the most satisfactory market outlet—from a price standpoint—for the auctions. In attempting to broaden market outlets, the auctions must give consideration to the buyers for wholesale distribution, and must naturally accept lower prices from these. The problem, therefore, is to maintain prices during the surplus production period of the year when demands of the retail buyers are insufficient to move the bulk of the receipts satisfactorily.

The need for developing broader market outlets for eggs is reflected in a number of ways among the auctions. Chain stores and jobber-wholesalers which have increased their purchases during periods of higher-than-average receipts form an important type of outlet. The practice of "off-sale" selling is used extensively at two of the larger auctions and to a limited extent by some others. The possibility of developing outlets for eggs in cartons is being explored by a few associations and may prove successful, although the expense of selling in cartons has been relatively high. Few of the auctions have stored eggs.

Egg receipts at the auctions are fairly regular throughout the year in contrast with farm flock production in the auction areas. (See fig. 22.) This greater uniformity arises mainly from the fact that a large percentage of the auction members own large or commercial flocks. An indication of the commercial aspect of auction members' flocks is found in the size of flocks reported by 675 producers interviewed during the survey. Approximately 87 percent of the group owned 400 birds or more and 50 percent reported flocks of 800 birds or more; flocks numbering 2,000 birds or more were owned by 11 percent.

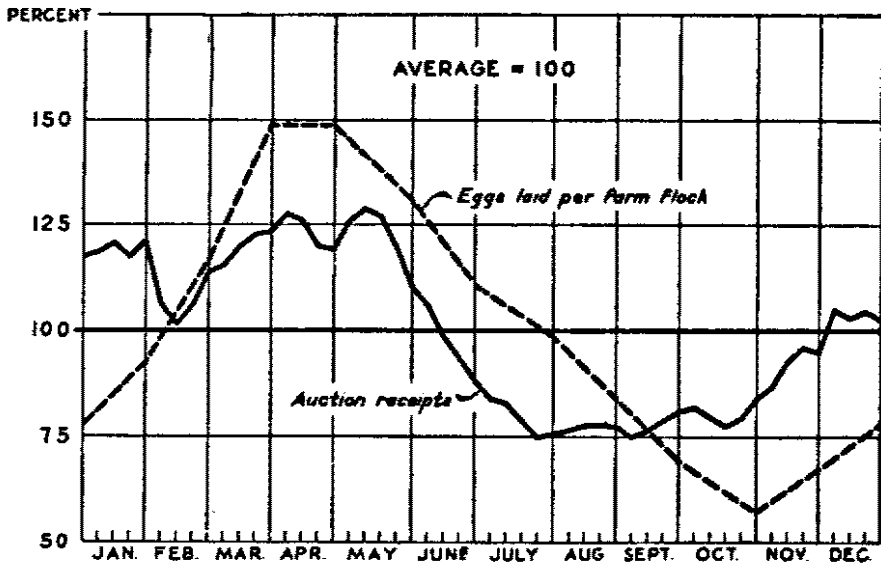


FIGURE 22.—PERCENTAGE DEVIATION FROM NORMAL OF WEEKLY EGG RECEIPTS AT 18 EGG AND POULTRY AUCTIONS AND NUMBER OF EGGS LAID PER FARM FLOCK ON FIRST DAY OF EACH MONTH IN NORTH ATLANTIC STATES 1935-37 (3-YEAR AVERAGE BASIS; AVERAGE FOR 1935-37=100).

The seasonal cycle of egg receipts at the auctions for the 3-year period, 1935-37, does not swing as widely as the seasonal cycle of the number of eggs laid per hen in the auction region. This limited cycle of egg receipts alleviates the seasonal surplus problem which occurs at the flush period especially.

There is considerable difference among the auctions in the extent to which egg receipts fluctuate weekly and seasonally. For 18 associations as a group, on the average, egg receipts during the 3-year period, 1935-37, fluctuated slightly less than 20 percent from week to week. At individual associations, however, weekly fluctuations averaged as much as 36.8 percent and as little as 8 percent. The wide fluctuations at some associations indicate that receipts from week to week are relatively undependable from the standpoint of providing the buyers with a constant supply. (See fig. 22.)

The total yearly range in egg receipts averaged 77.6 percent for the 18 associations during the period 1935-37. Among individual associations, however, the yearly range was from 41.4 percent to 133.4 percent of normal. There is likewise a lack of uniformity in the fluctuations in egg receipts with regard to season. Figure 23 shows the differences which exist in the seasonal cycle of egg receipts at 4 selected auctions from week to week and between seasons.

The extent to which the members use the auction seasonally likewise affects the seasonal range in egg receipts. That the auctions are subject to periodic use by the members is clear from table 11, which shows the average number of shippers at each sale or week during 4 selected months of the year and the average size of shipment per member, at 13 associations in 1937.

There is surprisingly little difference in the average size of shipment made by the members during any of the 4 months represented; it amounts to less than half a case on a sale basis and slightly more on a weekly basis. The range in the average size of shipment is not as great as would normally be expected as a result of the seasonal production. It is noticeable, however, that there is a wide range in the number of members shipping during the 4 months represented. Shippers are most numerous during the months of January and April, representative of the peak production periods in the auction areas, and least numerous during July and October when production is at its low point and demand for eggs is most active.

It is noticeable, also, that at some auctions July is lower in number of shippers than October. This is true particularly of auctions along the Atlantic Coast, where the producers have "shore trade" outlets during the summer months. The auctions located farther inland and farthest from metropolitan areas naturally tend to have less seasonal variation in the number of shippers under similar production conditions. Apparently there is little relation between the seasonal change in the number of shippers and the average size of shipment.

As already stated, some producers use the auctions to a large extent as an outlet for surplus production. As none of the auctions require

TABLE 11.—AVERAGE NUMBER OF SHIPPERS AND CASES SHIPPED EACH SALE OR WEEKLY DURING 4 SELECTED MONTHS, AT 13 ASSOCIATIONS IN 1937

Association	January		April		July		October	
	Shippers	Average shipment	Shippers	Average shipment	Shippers	Average shipment	Shippers	Average shipment
<b>Each sale:</b>	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>
Flemington, N. J.	471	3.1	484	3.3	374	2.6	315	2.4
Doylestown, Pa.	258	3.1	276	3.0	213	2.6	213	2.7
Bethlehem, Pa.	108	4.1	108	3.7	83	3.1	89	3.1
Center Point, Pa.	162	3.7	146	3.3	114	3.1	123	3.0
Coatesville, Pa.	102	3.3	108	3.3	114	2.5	123	2.3
Butler, Pa.	189	3.4	177	3.3	141	3.3	123	3.1
Poughkeepsie, N. Y.	196	1.6	150	3.1	90	3.0	71	2.5
<b>Average</b>	212	3.2	207	3.3	162	2.9	151	2.7
<b>Each week:</b>								
Vineland, N. J.	484	5.5	486	5.8	367	4.2	431	4.5
Derry, N. H.	597	4.0	547	3.4	384	2.5	465	3.1
Hartford, Conn.	414	4.4	366	3.7	228	3.2	277	4.0
Wooster, Ohio	272	3.9	245	3.7	264	3.2	281	3.0
Mount Holly, N. J.	122	2.7	154	2.7	93	1.6	74	2.4
Bucyrus, Ohio.	82	3.5	49	3.0	71	2.4	80	2.2
<b>Average</b>	324	3.8	308	3.7	233	2.9	268	3.2

Source of data: Compiled and computed from association records by the authors in 1938.

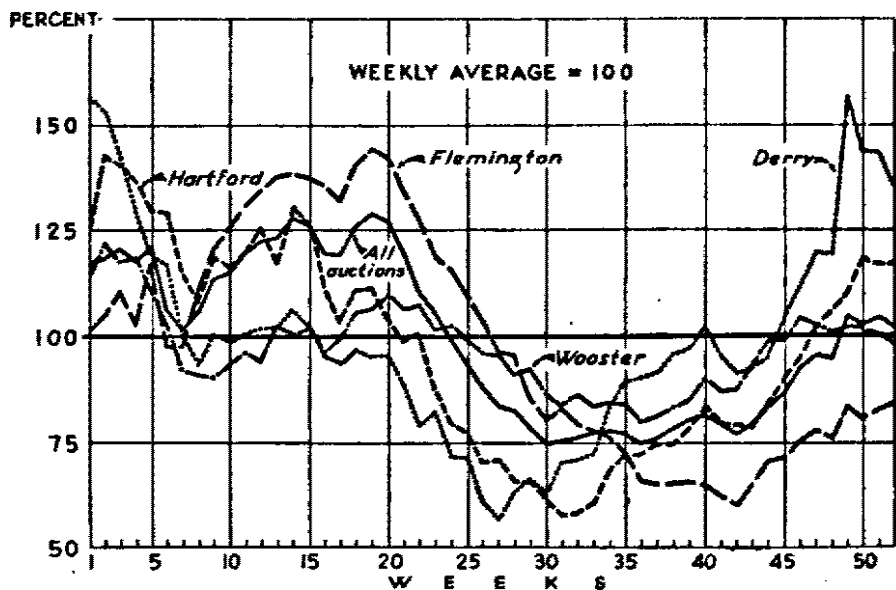


FIGURE 23.—SEASONAL CYCLE OF WEEKLY EGG RECEIPTS AT SELECTED AUCTIONS ON A 3-YEAR AVERAGE BASIS, 1935-37.

The seasonal cycle of egg receipts varies rather widely between auctions. This is true not only in regard to the degree of seasonal range but also in regard to the time of the cycle when the extreme fluctuations occur.

the members to sell any of their eggs through the auction, the members are free to take advantage of any available outlets which might temporarily yield higher returns.

Little consideration has been given by the associations to the use of an agreement requiring members to market all or any portion of their eggs through the auction. There appears to have been little need for such an agreement except as a means of maintaining more constant volume. As the auctions mature and their members become more appreciative of their services, the need for a marketing agreement diminishes. However, the need for membership work becomes more necessary as the auction areas expand and include new members.

The seasonal use of the auction by some members will continue as long as these producers feel that the prices received at times through other channels are sufficient to offset the added risk, time, and inconvenience of selling outside the association.

Hatchery demand has an important influence on the volume of eggs received by the auctions during the normal peak production season. Commercial hatcheries operating in and adjacent to the auction area of receipts cause a marked reduction in auction receipts during the hatching months. In recent years, increased demand for chicks for broiler purposes has caused the demand for hatchery eggs to be extended over a longer period. During the early development of the auctions, spring purchases of eggs from the members by hatcheries

worked to the advantage of the auctions in that receipts were materially reduced at the season when a surplus of eggs might have become burdensome. Most of the associations have now a greater variety of outlets through which seasonal surpluses can be moved. Consequently, purchases from members by hatcheries are no longer looked upon so favorably.

### *Poultry*

No evidence was found that the seasonal fluctuations in poultry receipts, although naturally greater than for eggs, created serious selling problems. It seems that the volume of poultry handled during any period has been no greater than could be sold readily. It is probable, however, that the volume of live poultry handled by the auctions near the large consuming centers in the East may become so great that difficult surplus-selling problems will arise.

From the standpoint of efficient operation, the handling of poultry plays an important part in that associations which sell poultry are more likely to maintain a uniform volume of units of products throughout the year than associations handling eggs only. As indicated in figure 24, poultry receipts at the auctions are normally heaviest during the period of lowest egg receipts and vice versa. Other factors being equal, associations handling poultry as well as eggs are able to utilize facilities and personnel to better advantage. This should result in greater operating efficiency and in lower per unit costs.

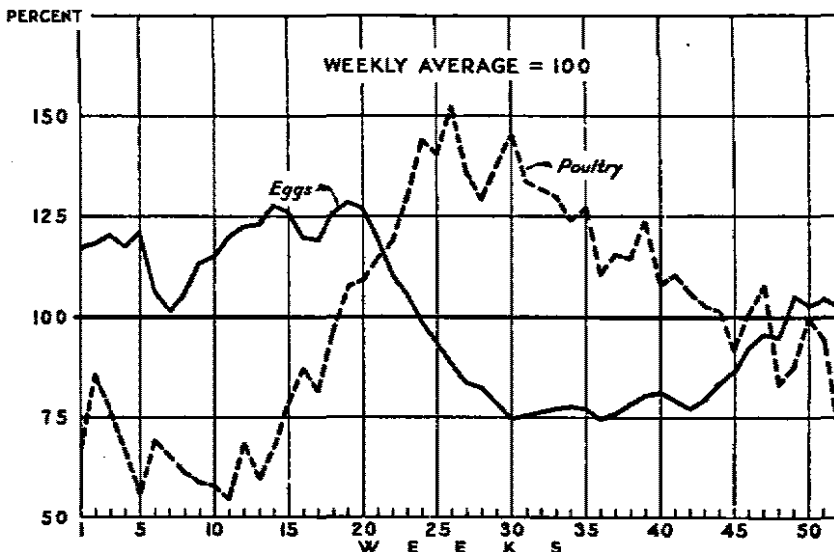


FIGURE 24.—RELATION OF WEEKLY EGG RECEIPTS AT 19 EGG AUCTIONS AND WEEKLY POULTRY RECEIPTS AT 10 POULTRY AUCTIONS AS A PERCENTAGE OF NORMAL RECEIPTS, FOR 3-YEAR PERIOD, 1935-37.

The seasonal cycles of egg receipts and of poultry receipts at the auctions are rather inverse. This makes possible more efficient utilization of capital, facilities, and personnel.



## Market Outlets

*Eggs*

Three types of buyers purchased approximately 75 percent of the eggs handled by the 22 auction associations in 1937. In order of importance as auction buyers, these types were: Routemen, jobber-wholesalers, and chain stores (table 12). Other types of buyers were, in order of importance: Independent stores, roadside markets, producers, dairy stores, restaurants, and a miscellaneous group of small purchasers. (See table 12.)

Routemen, who generally sell from house to house, purchased approximately 29 percent of the eggs handled by the auctions in 1937. The proportion of the eggs which this type of buyer purchased at individual auctions ranged from 5 to 80 percent of the total auction receipts. Five of the auctions sold 40 percent or more of their egg receipts to routemen during 1937.

Routemen have been the most important buyers from the auctions as a whole since their organization. Buying in small lots of from 1 to 10 cases of eggs at each sale or each week and selling these eggs at retail, these buyers have been able to offer prices favorable to the auctions. Early during the operation of the auctions, this type of buyer was the most numerous and helped to create a competitive condition which was the major influence in establishing auction prices. The depression and unemployment prevailing since 1930 has had the

TABLE 12.—PERCENTAGE OF TOTAL EGG AND POULTRY RECEIPTS PURCHASED FROM 22 EGG AUCTIONS AND 14 POULTRY AUCTIONS, BY EACH TYPE OF BUYER, 1937

Type of buyer	Percentage of egg receipts purchased		Percentage of poultry receipts purchased	
	Average <sup>1</sup>	Range <sup>2</sup>	Average <sup>3</sup>	Range <sup>3</sup>
	Percent	Percent	Percent	Percent
Routeman.....	28.9	5.0-80.0	12.0	5.0-35.0
Jobber-wholesaler.....	25.3	4.0-80.0	40.7	0-85.0
Chain store.....	20.0	5-56.0		
Retailer <sup>3</sup> .....	11.0	2.0-38.0	42.2	0-90.0
Producer.....	4.3	0-15.0	2.3	0-10.0
Dairy store.....	3.5	0-12.0		
Restaurants and hotels.....	1.9	0-10.0	.8	0-5.0
Miscellaneous.....	5.1	0-45.0	2.0	0-10.0
Total or range.....	100.0	0-80.0	100.0	0-90.0

<sup>1</sup> Unweighted average.

<sup>2</sup> For individual auctions.

<sup>3</sup> Includes independent retail stores, roadside markets, farmers' markets, and others.

Source of data: Obtained from the auction associations by the authors, 1938.

effect of maintaining a large number of such egg buyers in the metropolitan areas. Routemen continue to be the most numerous buyers at most auctions and although they probably do not purchase the bulk of the eggs, their influence is still important in establishing prices.

Second in importance as auction buyers are the jobber-wholesalers. Although sales of this group are predominantly of the jobbing type, some are of a wholesale nature. During 1937 buyers of this type purchased approximately one-fourth of the receipts of the 22 auctions. Their purchases ranged from 4 percent to 80 percent of the volume at individual associations (table 12).

The jobber-wholesalers are generally unable to offer buying prices equal to those offered by the routeman and other retailing types of buyers. Consequently, the volume of eggs purchased by jobber-wholesalers at any auction will be limited by the purchases of the retailing group. As receipts have increased at the auctions beyond the needs of the retail buyers, the jobber-wholesaler has become increasingly important as an auction sales outlet, particularly during seasons of peak receipts. When they consider egg prices reasonable at the auctions, jobber-wholesalers purchase large volumes of auction eggs.

Until recently chain stores were not important as an outlet at most auctions nor are they yet important at some auctions. For the auctions as a group, however, chain-store purchases accounted for 20 percent of the egg sales in 1937. Eight auctions sold more than a fourth of their total receipts to the chain stores while sales at individual auctions ranged from 1 percent to 56 percent.

The bulk of the chain-store purchases are made during periods of heaviest receipts when competition is lowest. Some auctions obtain bids from chain stores for each sale throughout the year. This is particularly true where local chains have created a market for a special brand of high quality eggs. The auctions have been fortunate in having the patronage of the chain stores, particularly during the periods of heaviest receipts.

Of the 22 auctions, 14 reported in 1938 that chain stores were purchasing an increasingly larger proportion of the yearly receipts. At 5 associations chain-store purchases had shown no change; a decrease was reported at 3 associations.

The average yearly volume of egg receipts purchased by the remaining types of buyers were as follows: Retailers, 11 percent; producers, 4.3 percent; dairy stores, 3.5 percent; restaurants and hotels, 1.9 percent; and miscellaneous types, 5.1 percent. Such retailers as independent stores and roadside markets were relatively important at a few auctions; they purchased as much as 38 percent of the total receipts of eggs at one association. This group, strictly retail buyers, have a definite influence in the making of prices at the auction.

It is significant that the buyers purchasing at the auction resell principally direct to the consumer. Approximately 70 percent of all eggs handled by the associations in 1937 were resold by only one distributor before reaching the consumer. In addition, because of nearness to market and the simple method of sale, handling costs from producer to consumer were kept relatively very low. The combination of these two conditions has undoubtedly been important to the success of the auctions in that it has made possible greater net returns to members and has enabled the buyers to sell to the consumers without paying margins to a number of other middlemen.

### *Poultry*

The combined purchases of two principal types of buyers—retailers and jobbers—absorb approximately 83 percent of the poultry sold by the auction associations. The retailers purchased on the average 42.2 percent, and the jobbers 40.7 percent of the poultry receipts of 14 auctions. The group classed as retailers in table 12 purchased more than 75 percent of the poultry at 6 associations, with a range of from 0 to 95 percent for the 14 associations. The range in percentage of total poultry receipts purchased by jobbers was from 0 to 85 percent.

Routemen purchased an average of 12 percent of the total receipts while producers, restaurants, and others combined purchased the remaining 5 percent of all poultry sold by 14 auction associations.

### *Number of Buyers*

The auction method of selling presupposes a number of competing buyers for each lot of produce offered. Consequently, the number of buyers present at each sale, or represented by bids placed with the manager, is of particular importance to the association.

Following the first sale, which was generally well attended, buyer attendance at some auctions was insufficient to move the eggs offered at favorable prices. During their early operations, a number of auctions were forced to use the stop bid, described in an earlier section. (See pp. 37-39.) As the auctions became established and developed broader market outlets, the need for stop bids was practically eliminated. Phone orders or standing orders are now being used effectively and are more dependable as to price and delivery than the stop bid.

The information available with respect to the number of buyers purchasing at each sale, their frequency of buying, and quantities purchased was very limited at most auctions at the time the study was made. That the associations are beginning to realize the value of more complete records on buyer performance is indicated by their recent interest in keeping such records.

A cross section of buyer representation at the auctions is available in the data collected from nine associations which kept records of buyers.

These data indicate that as receipts at the auctions have increased, the number of buyers purchasing has likewise increased, but not proportionately. It will be observed from table 13 that the average receipt of eggs per sale or per week has practically doubled for the nine auctions as a group and even tripled at several individual associations from the first full year of operation to 1937. During the same period, the average number of buyers purchasing each sale or each week did not increase more than a third. The effect of this slower increase in the number of buyers was an increase in the average number of cases purchased per buyer from an average of 5.5 cases at each sale during the first year of operation to an average of 7.1 cases at each sale for 6 associations, and from an average of 10.2 cases to 14.1 cases each week at 3 auctions.

As indicated in table 13, there were marked differences in the average size of purchase made at different auctions. Likewise, there was a great difference in the increase in the average number of cases purchased during the first year of operation in contrast to 1937.

TABLE 13.—AVERAGE EGG RECEIPTS AND AVERAGE NUMBER OF BUYERS PURCHASING PER SALE AND PER WEEK AT NINE AUCTION ASSOCIATIONS IN THE FIRST FULL YEAR OF OPERATION AND IN 1937

Auction	First year of operation			1937		
	Average receipts	Average buyers	Cases per buyer	Average receipts	Average buyers	Cases per buyer
<b>Per sale basis:</b>						
Doylestown, Pa. ....	<sup>1</sup> 375	84	4.5	685	91	7.5
Bethlehem, Pa. ....	151	18	8.4	348	36	9.7
Center Point, Pa. ....	208	60	3.5	443	78	5.7
Coatesville, Pa. ....	103	22	4.7	313	39	8.0
Butler, Pa. ....	184	33	5.6	508	73	7.0
Poughkeepsie, N. Y. ....	189	29	6.5	304	68	4.5
Average .....	202	41	5.5	433	64	7.1
<b>Weekly basis:</b>						
Hartford, Conn. ....	453	87	5.2	<sup>1</sup> 220	123	9.9
Wooster, Ohio. ....	<sup>2</sup> 507	58	8.7	880	56	15.7
Bucyrus, Ohio. ....	149	9	16.6	167	10	16.7
Average .....	370	51	10.2	756	63	14.1

<sup>1</sup> 1934 data.

<sup>2</sup> 1935 data.

Source of data: Compiled and computed from the auction association records by the authors, 1938.

At the Poughkeepsie auction, the average purchase in 1937 was less by 2 cases than that during the first year of operation, indicating that the increase in the number of buyers purchasing at each sale was greater than the increase in receipts. In contrast, the average purchase in 1937 at the Doylestown auction was larger by 3 cases than in 1934, the earliest year for which information was available.

The increase in the average size of purchase appears to be not so much the result of generally larger purchases by individual buyers as of a tendency for a few buyers to take larger volumes. The number of cases bought at each sale or during each week has varied little from year to year on an average for the routeman type of buyers. On the other hand, as egg receipts increased beyond the needs of a more slowly increasing group of buyers, an increasing proportion of the receipts was purchased by the wholesale buyers and by chain stores. This development indicates a need for buyers of large quantities, as the auction volumes become too large for the demand of a limited number of small buyers.

Buyer patronage at the auctions is highly seasonal. In general, fewest buyers patronize the auctions during the period of heaviest receipts while largest numbers purchase during seasons of lowest receipts. For this reason most of the auctions were organized to begin operations during the summer months when, although receipts were lightest, demand for fresh eggs was at its maximum, thereby assuring the auctions of sufficient buyer demand during the early and critical months of operation.

The seasonal nature of buyer patronage is indicated in table 14, which shows the average number of buyers purchasing and the average size of purchase at each sale for 6 associations and each week at 3 associations for the 4 months of January, April, July, and October, 1937. For the months shown, October is the month of maximum competition; although receipts were greater than in July at all but two auctions, buyers were more numerous in October than in any other month and the average size of purchases was smaller. In contrast with January, the number of cases purchased per buyer in October was less than half. October represents the period of the year when the demand for large, fresh nearby eggs is at its peak in relation to supply. This results in a comparatively large number of buyers being attracted to or forced to buy at the auctions during this season of the year.

### *Buyer Survey*

Personal interviews were had with 80 buyers patronizing the auctions. Although this number was small in contrast with the total number of buyers, it afforded a good indication of the types of auction patrons. The buyers interviewed were predominantly

TABLE 14.—AVERAGE NUMBER OF BUYERS AND AVERAGE SIZE OF PURCHASE MADE EACH SALE OR EACH WEEK AT NINE AUCTION ASSOCIATIONS DURING FOUR MONTHS IN 1937

Association	January		April		July		October	
	Buyers	Average purchase	Buyers	Average purchase	Buyers	Average purchase	Buyers	Average purchase
Each sale:	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>	<i>Number</i>	<i>Cases</i>
Doylestown, Pa.	75	10.7	70	11.9	99	5.8	112	5.2
Bethlehem, Pa.	33	13.6	27	14.6	32	8.6	43	6.5
Center Point, Pa.	81	7.5	66	7.4	74	4.8	87	4.4
Contesville, Pa.	51	8.2	29	12.3	41	6.9	44	6.0
Butler, Pa.	66	11.0	56	10.5	70	6.7	99	3.9
Poughkeepsie, N. Y.	41	7.6	53	8.6	90	3.0	71	2.5
Average	57	9.8	50	10.9	68	6.0	76	4.6
Each week:								
Hartford, Conn.	106	16.9	112	12.0	116	6.2	114	8.1
Wooster, Ohio	46	23.2	40	22.7	62	18.1	71	12.4
Bucyrus, Ohio	6	33.9	9	16.8	9	20.9	12	14.4
Average	53	24.7	54	17.2	62	13.4	66	11.6

Source of data: Compiled and computed from auction association records by the authors, 1938.

handlers of eggs although approximately 20 reported handling poultry in addition to eggs.

*Distance to auction.*—Frequently buyers were located in the same town or city as the auction. The distance from the buyer's place of business to the auction was less than 10 miles for a fourth of the group interviewed; less than 20 miles distant for 45 percent, and 20 to 40 miles for an additional 20 percent. This indicates that, for about two-thirds of the buyers, the auction is within an hour's drive. Five of the buyers interviewed reported driving 100 miles or more; the extreme was 145 miles.

*Other sources of supply.*—Of particular interest is the apparent effect the auctions have had in displacing the former huckster or farm-to-farm buyer. Questions were put to the auction buyers concerning their former sources of egg supplies. The replies indicate that about 57 percent of the buyers now purchasing at the auction formerly bought all their egg supplies direct from the farmer and that an additional 10 percent obtained a portion of their supplies from the farmer. Other present sources of egg supplies given by the 80 buyers, in the order of their importance, were the buyer's own flock, hucksters, wholesalers, and cooperative associations other than the auctions. Five buyers were not in business prior to buying at the auctions.

Replies to the question concerning the present sources of supply show that slightly more than 56 percent purchased all their eggs

from the auction and 25 percent of the group purchased from 50 to 99 percent. Of the remainder, 10 buyers purchased less than 50 percent of their eggs from the auctions. The above figures indicate that the auction was the principal source of supply for about 80 percent of the auction buyers since 65 of the 80 buyers interviewed obtained 50 percent or more of their egg supplies from this source. The chief sources of eggs not purchased at the auction were the producer or the buyer's own flock. Purchases from hucksters and wholesalers are apparently negligible. Almost 30 percent of the buyers reported purchasing eggs from more than one auction.

*Size and frequency of purchases.*—Slightly more than 25 percent of the group purchased ordinarily less than 10 cases of eggs per week, about 20 percent from 10 to 19 cases, and an additional 20 percent from 20 to 99 cases per week. One-third of the 80 buyers purchased 50 or more cases of eggs weekly. Generally those buying less than 50 cases of eggs weekly purchased all of them at the auction; whereas, purchasers of 50 cases or more, particularly purchasers of more than 100 cases per week, obtained their supplies from more than one source. These large buyers purchased usually from the auction and direct from the producer. As about two-thirds of the buyers purchased at two sales each week, it is apparent that the average number of cases purchased at individual sales was small.

Two-thirds of the buyers usually purchased at each sale; 30 percent purchased only once a week; and 3 percent bought occasionally.

*Disposal by buyers.*—More than 75 percent of the buyers replying to the question concerning their method of resale indicated that all or part of their weekly egg sales were made direct to consumers, by peddling from house to house. An additional 10 percent sold directly to consumers through retail stores. Therefore, about 85 percent of the auction buyers interviewed resold some eggs direct to the consumer. The other eggs were sold to stores, restaurants, and hotels.

*Appeal of auctions to buyers.*—Four reasons why buyers prefer the auction over other sources of supply were indicated in replies to questions concerning their reasons for buying at the auctions. The advantage most frequently mentioned was that the auctions are a source of adequate supplies. Second in importance was the superior quality of offerings at the auctions. The value of the grading and standardization of the eggs handled was third in importance. The cost of assembling necessary supplies from other sources was given as a fourth reason.

Surprisingly few objections to the auction method of selling were expressed by the buyers. The most frequent objection was that the prices were at times excessive.

## Egg Quality

Improvement in quality of the product to be marketed is an important function of any farmers' marketing association. It is particularly important in the field of cooperative egg and poultry marketing. No better example of the advantages of quality improvement can be found than the results of the programs carried out by the large western egg and poultry cooperatives. The western associations have had a part in raising the standards of egg quality in practically every important market in the East, have enabled their members to compete with producers much nearer the eastern markets, and have indirectly made it necessary for other groups selling on these markets to meet these standards of quality.

An important objective of the original auction associations, and later of all auction associations, was to improve the pack of local eggs to meet the competition of "western" eggs and command premiums equal to those being received by the western cooperatives on the eastern markets.

Conditions in the East are favorable to the production of high-quality eggs. Commercial poultry production, which is quite localized, is based on flocks in which producing high-quality eggs had been developed extensively prior to the auctions. Many producers were already getting premium prices in the nearby markets. On the other hand, most of the nearby eggs were being sold at or from the farm, ungraded and of undependable quality. As the membership of the auctions was to include all types of producers, a uniform quality-improvement program was essential.

Efforts have been made by the auctions, the State colleges, and the State bureaus of markets to assist producers in the auction areas to produce eggs of higher quality. These efforts have, of course, gone beyond the auction member and the auction territory. That these efforts should be continued is clear from the variation in improvement shown in the quality of eggs received at the auctions.

### *Percentage in Top Grade*

Although all but two auctions use grade standards and tolerances which are practically identical, there is a wide range among the auctions in the percentage of eggs which meet the top grade requirements. This is true even among auctions within a State which use identical grade standards.

The 15 auctions which allowed a 10 percent tolerance and used practically the same other grade standards showed a range of from 0 to 63.4 percent meeting the top grade requirements in 1937 (table 15). At the Vineland and Hightstown associations in New Jersey,



TABLE 15.—EGG GRADES USED, TOLERANCE ALLOWED, AND PERCENTAGE OF EGG RECEIPTS GRADED INTO TOP OR SECOND GRADE AT 20 ASSOCIATIONS, 1937

Association	Grades used	Tolerance allowed	Percentage graded—	
			Top grade	Second grade
		Percent	Percent	Percent
<b>New Jersey:</b>				
Flemington.....	New Jersey.....	10	6.4	71.0
Vineland.....	do.....	10	26.8	53.5
Mount Holly.....	do.....	10	1.0	58.4
Hightstown.....	do.....	10	23.1	59.5
Paterson.....	Association.....	5	1.8	73.4
<b>Pennsylvania:</b>				
Doylestown.....	Pennsylvania.....	10	38.2	29.0
Bethlehem.....	do.....	10	49.6	27.0
Center Point.....	do.....	10	21.5	60.7
Coatesville.....	do.....	10	59.8	25.0
Butler.....	do.....	10	22.0	57.5
<b>New York:</b>				
Poughkeepsie.....	G. L. F.....	10	(?)	(?)
Central Islip.....	do.....	10	(?)	(?)
<b>Connecticut:</b>				
Hamden.....	Connecticut.....	10	30.0	65.7
Hartford.....	do.....	10	8.5	82.2
Willimantic.....	do.....	10	(?)	(?)
Massachusetts: Brockton.....	Massachusetts.....	20	79.9	5.7
<b>Ohio:</b>				
Wooster.....	United States.....	10	6.7	65.8
Buoyrus.....	do.....	10	.0	61.6
New Hampshire: Derry.....	New Hampshire.....	20	77.3	2.3
Rhode Island: Providence.....	Rhode Island.....	10	63.4	17.0
Average.....			32.2	47.9

<sup>1</sup> New Jersey grades used to Nov. 15, 1937.

<sup>2</sup> Data not available.

<sup>3</sup> 16 associations.

<sup>4</sup> 17 associations.

Source of data: Compiled and computed from auction association records by the authors in 1938.

approximately one-fourth of the receipts graded Fancy, while at Flemington the portion was 6.4 percent. At the Mount Holly and Paterson auctions the Fancy grade constituted less than 2 percent of the association receipts. In Pennsylvania the range in Fancy eggs was from 21 to 60 percent among the 5 auctions using Pennsylvania State grades. In Connecticut 30 percent of the receipts at the Hamden auction were put in the top grade and at Hartford 8.5 percent.

Where a 20 percent tolerance was allowed and the other grade requirements were the same, a much larger percentage of the eggs were of the top grade. At the Brockton and Derry associations,

the percentages of top-grade eggs were 80 percent and 77 percent, respectively.

*Factors influencing grade percentages.*—In addition to dissimilar grade requirements, four principal factors affect the percentage of eggs which meet the top-grade qualifications at the auctions:

1. Eggs from commercial flocks are usually of higher quality than eggs from farm flocks, as commercial egg producers take a greater interest in the production, handling, and marketing of the eggs. Consequently, the quality of eggs at any auction should show some relationship to the portion of eggs obtained from commercial flocks.

2. The size of the area served is important, as the distance of the average producer from the auction may necessitate transporting the eggs long distances by truck or express. The additional jolting and handling to which these eggs must be subjected has been found detrimental to the interior quality. Also, producers who are distant from the auction will tend to market their eggs less frequently than producers who live nearby.

3. In some areas the auctions apparently show greater price advantages over the nonauction outlets for high-quality eggs than in other areas. This price advantage attracts the producers of the higher quality eggs.

4. Uniform interpretation of similar or identical grade standards among individuals is difficult to obtain and equally difficult to maintain. Apparently some auctions interpret the grading requirements much more strictly than others.

Conditions of production and procurement are relatively similar in the auction areas. Differences in the percentage of eggs in the top grade can be attributed only in part to either of these as quality factors. To what extent the higher prices received at some auctions for the top-grade eggs affect the additional care and expense of producing such eggs is difficult to determine. It seems probable that this difference between the auctions has little effect on the percentage of top-grade eggs received. For example, there is a difference between the percentage of top-grade eggs at the Flemington and the Vineland associations, but it is doubtful that the reward for producing top-grade eggs is any greater at Vineland than at Flemington. Likewise in Pennsylvania, the rather wide percentage differences in auctions which are in close proximity to each other and are dependent on practically the same market outlets seems unexplained by the price differential for the top grade of eggs.

It is apparent that the chief factor influencing the differences in the percentage of top-grade eggs between the auctions is grade interpretation. Especially is this true of the auctions within a State where production and other conditions are largely the same.

*Changes in percentages.*—An analysis of the data on egg grades shows that at seven auctions which operated for 4 years or more on an official grade basis, the percentage of eggs in the top grade has decreased. At 4 associations the proportion remained about the same and at only 4 of 15 auctions has there been a marked increase. In other words, the percentage of eggs going into the top grade has failed to show substantial improvement at 11 of the 15 associations. At Flemington the percentage of eggs of top quality has decreased from about 50 percent in the first full year of operation to 6.4 percent in 1937. At Vineland, the decrease was less marked, from 48 percent in 1933 to 26 percent in 1937. The rate of decrease in the other 5 associations has been less marked. In general, the decrease in the percentage of top grade eggs is reflected in an increase in the percentage of eggs of the second grade.

Numerous causes have been advanced to explain the decrease in the percentage of eggs of top quality in view of the intensive educational programs carried on in the auction areas. Of major importance is the fact that interpretation of grades has become more strict at many auctions. Of equal importance, however, is the increase in the volume of eggs received from smaller flocks and from more distant flocks. Eggs from both sources require additional handling and transportation.

Again original members of the auctions were generally the more enthusiastic and progressive flock owners, interested in improving egg quality and market conditions. As the area of receipts expanded and as the membership became more inclusive within each auction area, receipts of eggs from smaller flocks and from members less interested in quality increased in volume. The development of truck routes also increased the percentage of the auction receipts to receive additional handling, which is generally considered harmful to the interior quality of the egg.

Another fact advanced to explain the apparent lack of quality improvement is that the price differential of the top grade above the second grade is not sufficient to warrant the extra work, care, and cost involved in producing eggs of the top grade.

Despite these various influences, four auctions have shown improvement in the quality of eggs handled as indicated in the percentage of eggs in the top grade.

### *Need for Uniform Quality*

The preceding information with respect to differences in the percentage of eggs grading top quality suggests that there is a definite and real need for uniformity in grade specifications and interpretations among the various States and associations. Reliable quality

and price comparisons under present grade standards would be difficult and inaccurate. In the event coordinated selling in terminal markets becomes necessary as volumes attain surplus proportions, the present differences in grade interpretation among the auctions would create confusion and make such selling difficult. Likewise, any attempted measurement of the relative effectiveness of quality improvement programs in the auction areas can be questioned under present conditions.

### Financial Condition

As most of the auctions early adopted adequate bookkeeping and accounting systems, information with respect to the financial condition and the costs of operation were readily obtained on a comparable basis. Of the 22 associations, 19 had balance sheets and operating statements over a period of years. Only 1 association could not supply such information, as no audit had ever been made; the information contained in the financial statements of two other associations was not sufficiently complete for analysis.

Averages of balance-sheet items for 19 associations are shown in table 16. The average of balance-sheet items is contrasted for 9 associations handling 50,000 units<sup>17</sup> or more during the year and for 10 associations handling less than 50,000 units.

### *Assets*

Total assets for the 19 associations averaged \$17,373 of which slightly more than 50 percent was in the form of current assets. Total assets of individual associations ranged from less than \$3,000 to almost \$70,000. The associations handling more than 50,000 units had more than four times the average total assets of the smaller associations. The cash items of the three groups amounted to about 50 percent of the current assets; they ranged for individual associations from an overdraft of \$2,736 to a credit balance of \$18,791.

Accounts receivable constituted about 18 percent of the total assets and about a third of the current assets of all associations. In amount they ranged from \$76 to \$11,677 for individual auctions. Accounts receivable are generally liquid at the auctions; they usually run over a period of a week to 10 days and constitute the value of produce sold on open account to chain-store and other wholesale buyers.

The bulk of the inventory account at the auction represents the value of egg cases and poultry crates on hand; the remainder that of office and plant supplies and poultry products. The average value of inventories amounted to 10 percent of the total assets of all associations. At one auction the inventory amounted to more than \$7,000.

<sup>17</sup> A unit is a case of eggs or a crate of poultry.

TABLE 16.—AVERAGE OF BALANCE SHEETS FOR 19 COOPERATIVE EGG AND POULTRY AUCTION ASSOCIATIONS AT THE END OF THE FISCAL YEAR 1937

Item	Average for 19 associations		Average, 9 associations handling 50,000 units and more		Average, 10 associations handling less than 50,000 units	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
<b>ASSETS</b>						
<b>Current assets:</b>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>
Cash.....	4,104.84	23.6	6,069.22	20.8	2,218.89	33.1
Accounts receivable.....	3,072.04	17.7	4,764.88	16.2	1,648.93	28.6
Inventories.....	1,769.12	10.2	2,808.70	9.6	828.00	12.7
Other.....	55.67	.3	110.50	.8	6.28	.1
<b>Total current assets.....</b>	<b>9,001.67</b>	<b>51.8</b>	<b>12,757.86</b>	<b>46.9</b>	<b>4,712.10</b>	<b>71.4</b>
<b>Fixed assets:</b>						
Land and buildings.....	6,663.38	38.4	12,743.47	43.4	1,191.30	18.0
Furniture and equipment.....	1,183.44	6.6	1,933.18	6.6	508.68	7.7
<b>Total fixed assets.....</b>	<b>7,846.82</b>	<b>45.2</b>	<b>14,676.65</b>	<b>50.0</b>	<b>1,699.98</b>	<b>28.7</b>
<b>Other assets.....</b>	<b>524.66</b>	<b>3.0</b>	<b>894.61</b>	<b>3.1</b>	<b>191.73</b>	<b>2.9</b>
<b>Total assets.....</b>	<b>17,373.17</b>	<b>100.0</b>	<b>28,329.12</b>	<b>100.0</b>	<b>6,603.81</b>	<b>100.0</b>
<b>LIABILITIES AND NET WORTH</b>						
<b>Current liabilities:</b>						
Accounts payable.....	3,487.03	20.1	7,018.21	23.9	308.98	4.7
Deferred charges.....	56.08	.3	13.73	.....	90.95	1.4
Other current liabilities.....	.....	.....	3.58	.....	.....	.....
<b>Total current liabilities.....</b>	<b>3,543.11</b>	<b>20.4</b>	<b>7,035.52</b>	<b>23.9</b>	<b>399.93</b>	<b>6.1</b>
<b>Fixed liabilities:</b>						
Mortgage payable.....	2,018.63	11.6	4,428.22	15.2	.....	.....
Loans payable.....	848.80	4.9	736.35	2.6	800.00	12.1
Other fixed liabilities.....	7.55	.....	.....	.....	14.35	.2
<b>Total fixed liabilities.....</b>	<b>2,874.98</b>	<b>16.5</b>	<b>5,164.57</b>	<b>17.7</b>	<b>814.35</b>	<b>12.3</b>
<b>Total liabilities.....</b>	<b>6,418.09</b>	<b>36.9</b>	<b>12,200.09</b>	<b>41.6</b>	<b>1,214.28</b>	<b>18.4</b>
<b>Net worth: Surplus and reserves.....</b>	<b>10,955.08</b>	<b>63.1</b>	<b>17,129.03</b>	<b>58.4</b>	<b>5,389.53</b>	<b>81.6</b>
<b>Total liabilities and surplus.....</b>	<b>17,373.17</b>	<b>100.0</b>	<b>29,329.12</b>	<b>100.0</b>	<b>6,603.81</b>	<b>100.0</b>

Source of data: Compiled from financial statements of the auction associations by the authors in 1938.

Six of the nine associations handling more than 50,000 units during 1937 owned their own plants (fig. 25). This accounts for the fact that 50 percent of the total assets of the large associations was in the form of fixed assets in 1937. As only two of the smaller associations owned their own plants the amount of their fixed assets was lower, averaging 25.7 percent of the total assets.

The average value of land and buildings owned by 19 associations was \$6,663, equal to 38 percent of the total assets. The range in



FIGURE 25.—PLANTS OWNED BY AUCTION ASSOCIATIONS, 1938.

At the time of the survey 8 auctions owned their plants. Since then 5 additional associations have constructed or purchased buildings.

value of land and buildings owned by individual associations was from \$5,617 to \$41,445.

Furniture and fixtures constituted about 7 percent of the total assets of the 19 associations, amounting to slightly more than \$6,000 at one of the largest associations in contrast with \$1,183 for the average.

Deferred assets, chiefly prepaid charges, averaged about 3 percent of the total assets for all groups.

### *Liabilities and Net Worth*

Approximately 37 percent of the liabilities and net worth of 19 associations was in the form of current and fixed liabilities. Current

liabilities, which were almost entirely accounts payable to the producers, averaged \$3,543 or 20.4 percent, and fixed liabilities, \$2,875 or 16.5 percent. The percentage of total liabilities of the 9 large associations was more than twice as great as those of the smaller associations principally because of more accounts payable and the long-term obligations in the form of mortgages and loans on land and buildings.

Reserves, capital stock, and surplus—which make up net worth—averaged \$10,955 for 19 associations, or 63.1 percent of total liability and net worth. Individual auctions show a range of from minus \$1,775 in net worth to a plus of \$42,276. The net worth of the 9 large associations averaged \$17,139 or 58.4 percent, in contrast with a net worth of \$5,389, equal to 81.6 percent of the liabilities and net worth, in the 10 smaller associations.

Further calculations indicate that on the whole the auctions were in a favorable current financial condition at the end of the 1937 fiscal year as indicated in the ratio of current assets to current liabilities. At only five associations was the ratio of current assets to current liabilities less than 2 to 1 and at no association was it less than 1.4 to 1.

The average equity per member for 18 associations included in the calculation was \$18.49, with a range of from \$5.63 to \$35.27. Of further interest is the fact that in 1937 members sold poultry products valued at \$44 for each dollar invested in their association. Sales per active member averaged \$815 during 1937 with a range of from \$333 to \$1,491 among the individual associations.

### *Working Capital*

The amount of working capital (current assets minus current liabilities) available at any time is becoming of greater importance to the auctions as sales to buyers of large volumes, such as wholesalers and chain stores, increase. Generally there is a lag of from a week to 10 days before the auction receives payment for the eggs purchased by these larger buyers, while sales to other buyers at the auction are cash. The greater the purchases by the large buyers, the greater is the need of working capital by the auction to meet the payments to producers in the interim.

The amount of working capital is likewise reduced to the extent that inventories constitute a portion of the current assets. As already indicated, inventories averaged \$1,769 for the auctions and amounted to as much as \$7,327 at one association.

The average cash balance of \$4,105 is likewise subject to current operating expenses which were estimated at approximately \$360 a week per auction on the average, leaving but \$3,745 in actual cash on hand.

The average amount of working capital for the 19 associations was \$5,459 with a range of from \$590 to \$15,428. The 9 large associations averaged \$6,732 while the small associations had an average of \$4,312 in working capital. From the standpoint of the volume handled, the smaller associations were in a more favorable position in respect to working capital.

The position of the auctions with respect to the amount of working capital appears generally satisfactory, the ratio of working capital to the average weekly value of sales shows that the 19 associations had an average of 65 cents of working capital for each dollar of sales.

The range in the ratio of working capital to the average weekly sales was from 7½ cents to \$1.32 per dollar of sales. Three associations had \$1 or more for each dollar of average weekly sales, six had from 50 to 75 cents, and three had less than 25 cents for each dollar of sales. Since at least five auctions sold more than 25 percent of the eggs to chain stores which ordinarily require a week or 10 days' credit, it is apparent that at some associations there is need of considerable operating capital.

Ratios are more favorable during the slack months of receipts and less favorable during periods of heavy receipts when the chain stores and wholesalers make the largest purchases.

*Means of increasing capital.*—There are four practical methods by which the auctions can increase their amount of capital. These are:

1. By an accumulation of the earnings from overdeductions;
2. By setting aside entrance fees and annual dues;
3. By borrowing from individuals, banks, or other lending agencies;
4. By obtaining funds from those whom the auctions are serving by making definite deductions or retains from the proceeds of sale for capital purposes.

One or more of the first three methods have been used by the auctions. The last-mentioned method of obtaining capital is that used by the larger western cooperative egg and poultry associations; this method has been found equitable, practical, and highly successful.

By this method a uniform per unit or percentage retain is withheld on each unit of product marketed, in addition to the usual charges. These retains are credited to each member and from time to time certificates of interest or certificates of indebtedness are issued in denominations of \$1, \$5, or \$10 to the contributing members. When the borrowings from the members by this method furnish more capital than is necessary for the peak of operations, the first certificates issued, i. e., the oldest certificates, are retired in cash in an amount to be decided by the management. These certificates should have no due date and often bear no interest. This is the most common type of the revolving fund plan of financing cooperative associations. (10, pp. 705-710.)



On the basis of loan retains of 5 cents per unit (a case of eggs or a crate of poultry) of product handled in 1937, the average amount of deductions per auction for revolving funds would have been about \$2,650. For the largest association it would have been more than \$8,500, and for the smallest association \$432. Over a period of years substantial funds representing members' investments could be built up by this method. Retains smaller or larger than 5 cents a unit might be taken but this is a convenient rate and is frequently used.

During 1938, two auction associations adopted this revolving-fund method of increasing their working capital.

### Income and Expenses

An important factor responsible for the popularity and rapid growth of the auction associations has been the relatively low cost of their marketing service. From the time of their organization few associations have operated at costs to the producer exceeding 5 percent of the gross value of the product sold. (See table 17.) Generally the cost has been less than 5 percent of the gross sales value. In addition to maintaining low handling costs, most associations during their short period of operation have paid considerable amounts in cash dividends to the members or have accumulated impressive assets in the form of plant facilities and working capital in which the members have a definite equity.

There are numerous causes for the auctions' being able to begin operations with little capital and to maintain relatively low operating costs. The principal ones are as follows:

1. The simple method of handling and selling requires no processing, complicated operations, or extensive record keeping.
2. The services rendered are few and simple.
3. Interest costs have been low because little or no borrowed capital has been necessary.
4. Practically no facilities have been owned until recently; this has meant negligible upkeep or depreciation costs.
5. The cash method of operating has resulted in a minimum of credit losses.
6. Expenditures for membership work and advertisement have been kept at a minimum.
7. Surpluses of receipts necessitating stop-bid purchases and cold-storage operations have been relatively unimportant. Consequently, losses from these operations have been small.
8. Volumes of receipts have increased more rapidly than the expansion in auction facilities, personnel, and overhead expenses.
9. No exorbitant salaries have been paid.
10. Diligent efforts have been made to keep costs low.

TABLE 17.—COMPARATIVE DATA RELATIVE TO OPERATING INCOME AND COSTS PER UNIT OF VOLUME HANDLED AT 18 COOPERATIVE AUCTION ASSOCIATIONS, 1937

Association number	Income and costs per unit of volume					Total costs as a percentage of gross sales value
	Handling and candling income	Other income	Gross income	Total operating cost	Net income	
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Percent</i>
1.....	38. 23	. 21	38. 44	34. 57	3. 87	4. 2
2.....	45. 85	2. 27	48. 12	44. 17	3. 95	4. 9
3.....	48. 09	3. 56	51. 65	44. 61	7. 04	5. 5
4.....	51. 14	-----	51. 14	48. 59	2. 55	5. 0
5.....	40. 06	1. 58	41. 64	35. 32	6. 32	4. 1
6.....	45. 99	1. 24	47. 23	30. 17	17. 06	3. 7
7.....	39. 30	. 08	39. 38	30. 96	8. 42	3. 7
8.....	38. 09	5. 18	43. 27	37. 94	5. 33	4. 3
9.....	48. 53	5. 93	54. 46	51. 10	3. 36	7. 4
10.....	42. 32	. 36	42. 68	34. 87	7. 81	4. 0
11.....	34. 74	. 03	34. 77	25. 33	9. 44	2. 4
12.....	32. 59	1. 54	34. 13	26. 61	7. 52	3. 0
13.....	40. 47	. 46	40. 93	37. 46	3. 47	4. 6
14.....	40. 79	2. 91	43. 70	33. 06	10. 64	3. 6
15.....	48. 31	2. 13	50. 44	49. 79	. 65	5. 8
16.....	49. 83	-----	49. 83	41. 76	8. 07	5. 1
17.....	40. 41	. 11	40. 52	36. 15	4. 37	4. 3
18.....	38. 36	1. 05	39. 41	34. 03	5. 38	4. 0
Average.....	42. 39	1. 59	43. 99	37. 58	6. 41	4. 4

Source of data: Computed from records of the auction associations by the authors in 1938.

### *Operating Income*

Approximately 97 percent of the auction income is derived from charges made for handling and candling; the remaining 3 percent consists of income from miscellaneous sources. The average gross operating income per unit<sup>18</sup> of volume handled in 1937 was 44 cents (table 17). Of this amount 42.4 cents represented income from handling and candling; and 1.6 cents, income from profit on the sale of poultry supplies, cases and crates, the resale of poultry products purchased by the auction, and from other miscellaneous sources. These figures do not include income from membership fees or annual dues.

The gross income per unit, as shown in table 17, ranged from 34.1 cents to 54.5 cents; whereas, the range of income from handling and candling was 32.6 to 51.7 cents. Income from other sources ranged from 0 to 5.9 cents per unit. Four auctions showed a gross income

<sup>18</sup>This term is defined on p.77.

of more than 50 cents per unit; nine averaged less than 40 cents per unit.

### Operating Costs

Operating costs of the 18 associations averaged 4.4 percent of the gross value of sales in 1937 with a range of from 2.4 percent to 7.4 percent. At only 4 auctions did the cost of operating exceed 5 percent of the gross value of sales, while for 5 associations operating costs amounted to less than 4 percent of the value of produce sold.

There are apparently two principal factors directly or indirectly affecting total per unit operating costs of the auctions. These are, briefly: (1) the total volume of receipts handled, indicated numerically by the total number of units handled yearly; (2) the operating methods and practices of the association. Other factors, individual or separate, are influential but not to the degree, nor so generally applicable, as these two factors.

With few exceptions the auctions have decreased their total per unit operating costs from year to year through an increase in volume. There is, however, no indication that per unit costs have decreased with the age of the association except as a result of increased volume, indicating that little has been done to increase operating efficiency. On the other hand, certain costs closely related to management and the rendering of additional services have increased as the auctions have matured so that, without increases in volume, per unit costs at the auctions have a tendency to increase over a period of years. The increase in volume, therefore, is generally responsible for the decreases in per unit operating costs.

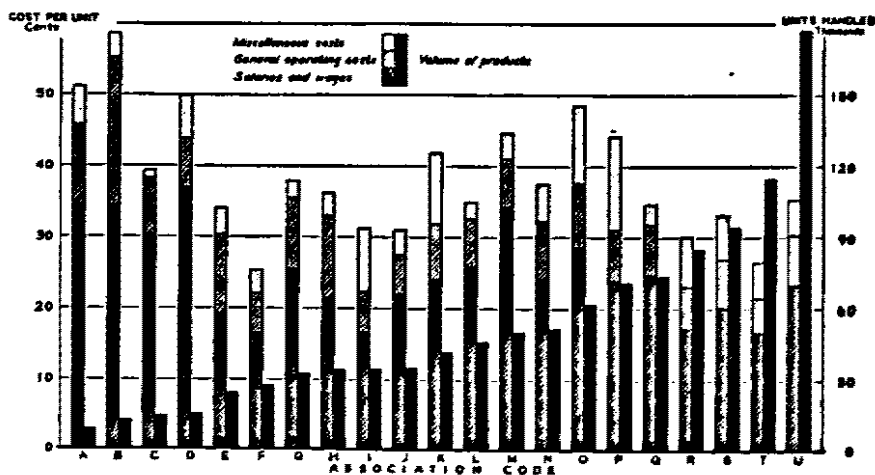


FIGURE 26.—RELATION OF COSTS TO VOLUME OF PRODUCTS HANDLED BY 21 COOPERATIVE EGG AND POULTRY AUCTION ASSOCIATIONS, 1937.

There is a generally inverse relationship between volume of products handled and total per unit costs. This is true especially of the larger and the smaller associations. Salaries and wages constitute almost two-thirds of the total auction cost.

Analysis of cost data for the year 1937 shows that auctions handling largest volumes tend to show lowest costs with few exceptions. As indicated in table 18, the total per unit costs of auctions handling over 75,000 units averaged 12.6 cents less per unit of volume handled than associations handling less than 25,000 units.

The relationship between volume and costs at individual associations is illustrated in figure 26. It is apparent that there is an inverse relationship between the number of units handled and total per unit handling costs. Differences in operating methods and practices, labor efficiency, and salary and wage rates among the individual associations are mainly responsible for the exceptions to the inverse relationship of volume and cost.

The average total cost per unit of volume handled for the 21 associations included in the illustration was 35.8 cents in 1937, with a range of from 25.3 cents to 58.6 cents, or a total range of 33.3 cents. As indicated in figure 26, cost tends to decrease sharply in relation to increases in volume up to 30,000 units. To a lesser extent this condition is also true for associations handling over 60,000 units of volume. Such an inverse relationship does not exist for the associations handling between 30,000 and 60,000 units as a group.

TABLE 18.—RELATION OF AVERAGE COSTS PER UNIT TO NUMBER OF UNITS HANDLED BY 21 COOPERATIVE EGG AUCTION ASSOCIATIONS, 1937

Item of cost	Unit cost when volume handled was—				Average for 21 associations		
	75,000 units and more	50,000 to 75,000 units	25,000 to 50,000 units	Less than 25,000 units	Average	Range	
	Average operating cost per unit					Low	High
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Salaries and wages.....	19.79	26.73	22.09	29.08	22.75	16.51	36.77
Stationary, printing, and postage.....	2.36	2.41	2.33	2.32	2.36	1.58	3.39
Telephones and telegraph.....	.70	1.24	1.35	1.07	1.02	.19	2.54
Heat, light, and water.....	.59	.58	.46	.67	.60	.13	1.64
Depreciation.....	.52	.68	.44	.19	.62	.04	1.52
Taxes.....	.63	.75	.64	.60	.64	.39	1.32
Repairs.....	.36	.42	.14	.15	.31	.....	1.06
Insurance and bonds.....	.51	.56	.57	.77	.55	.35	1.31
Interest.....	.08	.15	.05	.54	.12	.....	2.62
Rent.....	.11	.39	.87	2.45	.50	.....	4.29
Auditing.....	.36	.06	.83	2.12	.49	.....	4.45
Bad accounts.....	.02	.11	.05	.48	.05	.....	1.35
Miscellaneous losses.....	.69	3.50	1.17	.24	1.62	.....	6.69
Miscellaneous expenses.....	4.97	4.15	3.67	3.56	4.36	.11	8.91
<b>Total operating costs.....</b>	<b>31.69</b>	<b>41.72</b>	<b>34.49</b>	<b>44.24</b>	<b>35.80</b>	<b>25.30</b>	<b>58.60</b>

<sup>1</sup> The average for 21 associations; table 17 gives 37.58 cents per unit for 18 associations.

<sup>2</sup> Actual costs of individual associations and not the total of the individual items in the column.

Source of data: Computed from records of the auction associations by the authors in 1938.

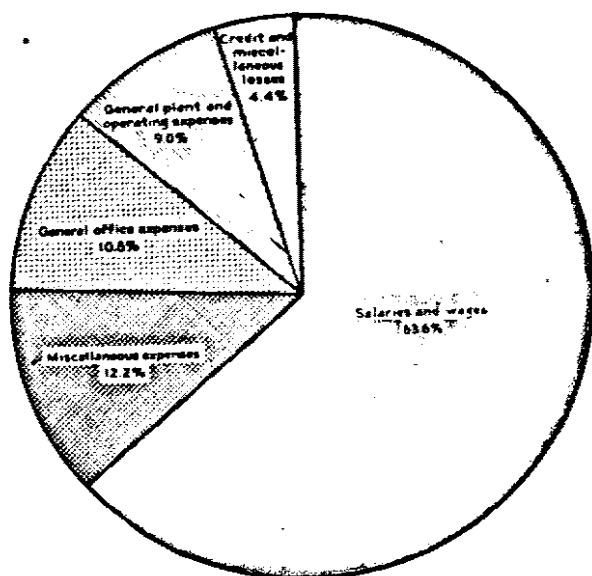


FIGURE 27.—PRINCIPAL ITEMS OF COST FOR 21 AUCTION ASSOCIATIONS AS PERCENTAGES OF TOTAL COSTS, 1937.

This figure shows the chief expense items which constituted the entire cost in 1937. Salaries and wages constitute the great bulk of the expenses, being 63.6 percent. The other items shown are miscellaneous expenses 12.2, general office expenses 10.8, general plant and operating expenses 9.0, and miscellaneous losses 4.0 percent.

*Salaries and wages.*—As shown in figure 27, salary and wage costs, including payments to the auctioneer, accounted for an average of 63.6 percent of the total operating cost of the auctions in 1937. The average unit cost of these items was 22.8 cents. The range in per unit costs for salaries and wages was from 16.5 cents to 36.8 cents and as a percentage of total costs from 53 percent to 76.9 percent (table 18).

Associations handling the largest volumes tend to show the lowest per unit costs for salaries and wages, largely because of the distribution of administrative salaries over larger volumes of the products sold.

Other factors influencing salaries and wages in addition to administrative salary costs are the differences in operating methods and in services rendered. At five auctions the manager also acted as auctioneer, thereby making possible a saving of the auctioneer's fee or salary. Payments to auctioneers at 16 associations ranged from 2 cents to 7½ cents a unit and totaled in some instances an amount greater than the manager's salary. At one association the auctioneer's salary accounted for 25 percent of all salaries and wages.

It is probable that the need to employ a professional auctioneer will diminish in the future. Particularly is this true at auctions which are developing broader market outlets of the "off-sale" and wholesale nature. As this trend develops, associations may find it feasible to train a full-time employee to act as auctioneer, in addition to performing other duties. This should enable the auction to reduce the selling cost substantially.

When the auctioneer is paid on a per-unit basis and the cases of eggs or crates of poultry are sold in auction lots of from 3 to 10 units, considerable savings could be effected if the auctioneer's payments

were made on the basis of auction lots rather than units. As no additional effort on the part of the auctioneer is needed for selling auction lots containing several units than for one unit, such an arrangement is justified.

The need for additional clerical help has been reduced at some auctions by adopting a policy of sending out checks weekly rather than after each sale. At the close of 1937, of the 22 auctions 13 were making payments to members only once a week. The acquisition of more suitable plant facilities and of labor-saving office forms and equipment have likewise been influential in maintaining or lowering labor costs.

*Stationery, printing, and postage.*—As shown in table 18, the combined cost of stationery, printing, and postage constitutes the second largest single item of expense at the auctions. With a range of from 1.6 cents to 3.4 cents per unit the average for the 21 associations was 2.4 cents or 6.6 percent of total costs.

Substantial savings have been made by some auctions in stationery, printing, and postage by adopting the policy of making weekly rather than semiweekly or individual sale settlements. Several of the large associations reported savings of from \$700 to \$1,000 yearly by this less frequent payment.

The cost of printed materials, such as forms and tags, has been reduced substantially through the placement of larger orders. It should be possible by combining orders of several auctions to lower such costs further. A prerequisite to such joint effort will be the adoption of uniform tags and forms; this should be feasible because the methods of handling and selling are similar.

*Telephone and telegraph.*—The average cost of these two items for 21 associations was approximately 1 cent per unit in 1937 with a range from 0.2 cent to 2.5 cents.

*Auditing.*—The cost of auditing at 21 associations ranged from no cost, where the audit was by the State college, to \$725 at one association. All but two of the auctions had yearly audits; the two auctions had quarterly audits.

The average cost of auditing for all associations was less than a half cent per unit. For individual associations paying for regular audits, the cost ranged from less than 0.1 cent to 1.2 cents. In consideration of the simple records and few activities, the cost of audits at some auctions seems excessive.

In figure 27 stationery, printing and postage, telephone and telegraph, and auditing costs have been grouped as general office expenses. These costs combined constitute 10.8 percent of total expenses.

*General operating expenses.*—Other general operating expenses are for heat, light, water, rent, taxes, insurance, depreciation, repairs, and interest.

As a group these costs accounted for 9 percent of the total costs, or 3.2 cents per unit of volume (fig. 27). At individual auctions none exceeded 6 cents per unit of volume. The only item of importance in the group was that of rent, which at two associations amounted to 4 cents or more per unit of volume handled.

*Losses from doubtful accounts.*—Despite the fact that the policy of all auctions has been that of selling on a strictly cash basis, most of the auctions have experienced burdensome credit losses at one time or another. These losses have been caused by accepting checks which proved worthless and by extending credit on open accounts. The bulk of these losses came chiefly in the early period of auction operation when the character of the buyers was not well known. These losses often came before the auctions had built up capital to meet them.

In later years losses from bad checks and accounts have lessened. In 1937 such losses were negligible in relation to the value of the produce sold. On the basis of per-unit costs, they averaged less than 0.1 cent per unit; they ranged from 0 to 1.4 cents per unit among the auctions.

*Miscellaneous losses.*—Miscellaneous losses are a part of the cost of operation. The three items accounting for the bulk of these losses are: (1) replacement of unsalable eggs found in the members' shipments upon inspection; (2) losses resulting from the sale of egg cases and from rental, exchange, or sale of poultry crates; and (3) attempts to stabilize the market by the use of the stop bid.

The policy at eight associations with respect to replacements is to make no charge to the producer for eggs which the auction must replace upon inspection. Eggs most commonly replaced have blood spots, rots, or meat spots, or are cracked. At one association a charge is made for eggs replaced in excess of three to a case while at two associations replacement charges are made for all eggs replaced in excess of six. At nine auctions producers are charged for the eggs which replace those found unsalable.

The effect of the different policies pursued by individual auctions with respect to replacements is indicated by the fact that the total replacement costs ranged from nothing to \$1,250 in 1937. At one auction during its last fiscal year replacement costs amounted to more than 4 cents for each case of eggs sold, and thus constituted an important item of expense.

Another policy which is proving costly to some associations is the method of handling egg cases and poultry crates for their members. In 1937 the crate expense at one auction amounted to almost \$1,400; or the equivalent of almost 5 cents for each crate of poultry handled. In contrast, another association showed a profit on its handling of

poultry crates equal to more than 5 cents per crate of poultry handled. Losses in poultry crates arise not so much from the actual sale of the new crates as from the practice of exchanging crates with the producer or renting the crates at an inadequate fee to cover breakage and depreciation cost. The outright theft of crates is likewise an important factor.

The handling of egg cases for members has proved profitable at some auctions while at others sizable losses have resulted.

The purpose and extent to which the stop bid has been used at various auctions has had a very definite influence on the amount of losses resulting from resale of the produce purchased. Generally, there is only an occasional and probably an emergency need for the stop bid in helping to maintain prices at a justifiable level. The volume of eggs and poultry necessarily purchased under these conditions is small and usually finds a ready outlet at prices which hold losses to a minimum. The use of the stop bid and the resulting losses on the sale of produce under these conditions may be justified.

However, the extent of the losses resulting from the use of the stop bid have been such as to indicate that there have been attempts to maintain prices at unjustifiably high levels. A stop-bid price set beyond a reasonable market-price level results in the auction possessing a large volume of eggs at prices causing correspondingly large losses when sold elsewhere. The result of attempting to maintain an unreasonable price level at one association was a loss which averaged almost 7 cents for each case of eggs sold during the fiscal year. As the market stabilization effort was limited to a short period of heavy receipts, it is apparent that the level at which prices were maintained was excessive.

The combined losses of the associations which are grouped under miscellaneous losses average 1.5 cents per unit for the 21 associations and ranged from 0 to 6.7 cents among the auctions. Three associations had miscellaneous losses amounting to more than 4 cents per unit. A change in some of the operating policies at these associations would result in a reduction in these losses.

*Miscellaneous costs.*—Under miscellaneous costs have been grouped items such as expenditures for travel, directors' fees, membership work, dues, advertising, drayage, subscriptions, and other incidental cost items which were not general or of sufficient importance to list separately. Most of these costs are due to the expansion of the auction procurement areas and to the performance of more membership work.

The combined cost of these miscellaneous items averaged 4.4 cents per unit for all associations, or 12.2 percent of all costs. Among individual associations, miscellaneous costs ranged from less than 1



cent to almost 9 cents per unit and as a percentage of total costs from 2.8 percent to 23.1 percent.

There is evidence that as the volume increases at an association, the miscellaneous costs become higher and more numerous. These costs averaged 5 cents per unit at auctions handling over 75,000 units in 1937, while the average cost of miscellaneous items at associations handling less than 25,000 was 3.8 cents per unit. These miscellaneous costs will probably continue to increase sufficiently to warrant separation into such cost accounts as membership and field work, publications, contributions, subscriptions, general supplies, travel, allowance to directors, drayage, and advertising.

### Total Marketing Costs

The cooperative auction associations provide marketing service at low cost. As indicated in table 17, the auction association handling and candling income for a unit of product is 42.4 cents. The only additional payment which the producer must make is for used cases, flats, and fillers. These usually cost the producer 15 cents a case. If the producer does his own hauling there is no deduction for hauling and, since the products are sold at the auction plant, there is no freight or shipping cost. Therefore, the total actual average marketing cost to the auction member is about 57.4 cents per case or 1.9 cents per dozen. This is in marked contrast to the cost of marketing eggs by the Mountain and Pacific Coast States producer who must pay even through his cooperative marketing association 7 or 8 cents per dozen to have his eggs packed, shipped, and sold in the New York market. This indicates that an eastern poultry producer who markets his eggs through a cooperative egg auction has an advantage in marketing costs of some 5 or 6 cents per dozen over the member of the western cooperative egg marketing association.

### Conditions Favorable to Success

**O**N SEEKING the underlying causes for the general success of the egg and poultry auctions, it becomes evident that with few exceptions the associations were favored by certain conditions. Their organization and operating structures, their procurement areas, and their market outlets are generally similar. All were directly or indirectly patterned from the first successful auction, that at Flemington, N. J., and that association on the basis of its successful experiences, set the pattern of "rules of procedure" for the auctions which were organized later.

## Location in a Commercial Production Area

Most of the area throughout which the auctions are scattered is one in which large commercial poultry farms are numerous and in which poultry and egg production has on many farms become a highly specialized enterprise. Such production conditions have been one of the first essentials to the successful organization and operation of the auction associations as well as to other types of poultry cooperatives.

From the commercial and specialized flocks in the area, a sufficient volume of eggs of high quality was readily available for efficient auction operation and for the use of official standards of quality. In comparison to most other types of poultry cooperatives the auction associations require relatively small volumes of products for efficient operation. The volumes handled by them have been sufficient in most instances from the first sales to meet their relatively low operating costs. The quality programs of the auctions were effective in improving the quality and pack of eggs marketed through them. The income derived from poultry products in the auction areas is sufficiently important to warrant additional attention and care if commensurate remuneration follows. The auctions provided such remuneration and therefore attracted the better and more ambitious poultrymen. In many instances the auctions became the only dependable outlets for and source of large volumes of carefully graded eggs in their immediate areas and even States.

## Nearness to Large Cities

Although the area in which the auctions operate is one of heavy commercial and specialized egg and poultry production, it is a deficit area in the production of these products in relation to their consumption because of the vast consuming centers which it includes.

The nearness of the auctions to large consuming centers is shown in table 19. This table shows the distance of different auctions from various size groupings of metropolitan population. All except 4 of the 22 auctions are located within 50 miles of metropolitan areas having an aggregate population of 1 million people. The average distance to metropolitan areas having a combined population of 1 million people is only 43 miles; to a population of 5 million it is only 88 miles. From 8 associations a metropolitan population of 15 million people can be reached within a radius of 100 miles.

Nearness to heavy population centers has been one of the most important factors in the success of the auction associations. Large metropolitan populations nearby insure a large number of egg and poultry buyers for the auctions. Not only do they insure a large number of potential buyers but they insure a variety of types of

TABLE 19.—DISTANCE FROM AUCTION ASSOCIATIONS TO APPROXIMATE METROPOLITAN POPULATIONS

Location of association	Distance to approximate metropolitan population of—						
	200,000	300,000	1,000,000	2,500,000	5,000,000	10,000,000	15,000,000
<b>New Jersey:</b>	<i>Miles</i>	<i>Miles</i>	<i>Miles</i>	<i>Miles</i>	<i>Miles</i>	<i>Miles</i>	<i>Miles</i>
Flemington.....	35	38	43	47	55	65	90
Vineland.....	35	40	42	45	60	100	130
Mount Holly.....	20	22	24	30	60	75	85
Hightstown.....	30	35	40	45	50	65	80
Paterson.....	5	10	15	20	25	35	100
<b>Pennsylvania:</b>							
Doylestown.....	20	23	27	30	70	80	90
Bethlehem.....	10	45	80	90	75	90	100
Center Point.....	15	20	25	30	80	90	105
Coatsville.....	20	25	30	40	75	100	130
Butler.....	30	35	40	60	120	275	400
<b>New York:</b>							
Poughkeepsie.....	45	55	65	70	75	90	110
Albany.....	10	20	100	130	145	160	180
Central Islip.....	30	35	40	45	55	65	80
<b>Connecticut:</b>							
Hamden.....	5	25	40	55	65	75	90
Hartford.....	5	10	30	90	95	110	130
Willimantic.....	25	30	55	65	90	115	125
<b>Massachusetts:</b>							
Brockton.....	15	20	25	30	120	200	235
Springfield.....	5	25	30	30	100	125	140
<b>Ohio:</b>							
Wooster.....	30	35	50	90	120	300	350
Bucyrus.....	55	75	90	100	140	300	480
<b>New Hampshire:</b>							
Derry.....	20	35	50	55	165	300	225
<b>Rhode Island:</b>							
Providence.....	5	10	40	50	80	170	180
<b>Average.....</b>	21.4	30.4	43.2	57.1	68.2	131.1	164.3

Source of data: Population data from Bureau of Census 1930, Metropolitan Districts. Distances compiled by the authors from Rand McNally Road Atlas.

buyers, especially of the routeman and huckster types which have been most important in making auction bidding thoroughly competitive.

### Careful Organization

Most of the auctions were organized with considerable forethought and in some instances only after careful surveys had been made to determine the need of them and their chances of success. Fortunately, this was true of the first auctions, for the results of their operations were largely responsible for the spread of auctions to other areas.

County agents, officials of State colleges, bureaus of markets, and departments of agriculture played an important part in guiding the formation and early operations of the auctions. Consequently, few mistakes were made in organization and in subsequent operations.

## Informed and Loyal Memberships

Because the individual auctions were organized as small local associations, the character of their early membership was important. The membership was usually comprised of a small group of selected, commercial poultrymen, informed and enthusiastic regarding the purposes and possibilities of the association. In addition, they were willing to support the association through cash contributions and egg shipments. Every egg auction has to some extent relied upon a few dependable individual producers having substantial volumes of eggs for support during the early period of operation.

In many areas the members were producers who had formerly been employed in business, factory, or other nonagricultural pursuits. This gave them the advantage of having obtained, especially as officers and directors, considerable business experience and judgment.

With few exceptions the auctions have remained local in operation. Membership and areas of operation have increased in size but have done so gradually and outwardly from the original nuclei. This has meant that the assimilation of new members and territory has been gradual.

## Simple Operating Methods

The auction method of sale has characteristics which appeal to both sellers and buyers. As adopted by the associations, it is orderly, visible, and free of complicated operations. It is direct and easily understood.

This simplicity extends also to operating methods. The services performed originally for the member were few and simple. Original capital requirements for facilities and operating purposes were small.

As the individual associations have progressed, the simple operating methods have been maintained in great part. The need for capital and facilities has remained proportionate to the volume of produce handled. Rather than demanding funds from members, the associations are creating substantial equities for those who patronize them.

Starting operations on a relatively low-cost basis, the auctions have increased expenditures for facilities, personnel, and other operating costs only when warranted by increases in volume. This practice is in sharp contrast with that of many other cooperative associations which started with extravagant facilities, high-salaried managers, and high overhead costs in the hope that volume would increase sufficiently to meet the resulting high costs.

The conservative policy which the auctions followed in early years when volumes prohibited heavy expenditures of any sort has enabled the associations to maintain low handling costs from year to year. This has been essential for competition is sufficiently keen in the

areas in which the auctions operate to require any egg and poultry marketing agency to operate on a small margin. Selling costs to the members have in most instances averaged less than 5 percent of the gross value of the products handled. It is doubtful that any agency handling eggs and poultry in these areas could long endure on a margin lower than this and perform like services.

### Freedom of Members

Two features pertaining to membership have had particular influence in the rapid expansion of the auction associations. These are: (1) the ease of becoming a member and (2) the freedom the member enjoys in the sale of his eggs and poultry through other market outlets.

As already stated, entrance fees and annual dues are relatively low at all associations; none amount to more than \$5 per year. No auction association requires that the producer purchase stock in the association upon joining. One association issues a share of stock to the member upon payment of a membership fee. The nominal fees paid in the form of dues and the freedom from stock purchases have met with favor among producers.

Likewise, upon joining, the producer is not compelled to sign any form of agreement or contract requiring that all or any portion of the eggs or poultry which he markets be sold through the association. Nor is the producer compelled to limit his shipments to a single buyer or sales agency, as is true of some types of associations. The freedom of sale thus allowed is attractive to the producer in an area closely adjacent to consuming centers which provide numerous attractive alternative outlets particularly during certain seasons of the year. Freedom of the producer in this respect may act as a decided disadvantage to the association from the standpoint of creating wide fluctuations in seasonal receipts. This, however, has apparently been of little detriment to these associations in the past.

### Payment for Quality

Through the use of producer numbers for individual members the auctions have maintained the identity of the producer with his product. This policy has made it possible for the better producer to receive payment in accordance with the quality of his individual offering, rather than to submerge his individual weight and quality as must be done in pooling.

In addition to producer identity, the produce is offered for sale on an individual basis of weight, color, size, and grade so that the member may be rewarded for any particular quality in his produce which is outstanding.

Auction associations have with relative ease eliminated many of the faulty buying practices in the production areas. With the establishment of the auction, producers no longer were compelled to rely upon market outlets which were undependable in many ways. Prior to the auctions, considerable dissatisfaction existed among producers in most sections of the Northeast with regard to the practices of some country buyers. Worthless checks, improper weights, unjustified complaints, prices not in relation to quality or to terminal or local market quotations, and uncertainty of regular purchases at all seasons of the year were a few of the causes for the dissatisfaction which existed.

### Egg Legislation

The feeling is prevalent among members of the egg trade, producers, State officials, and others that the fresh egg laws enacted in the various Northeastern States have been an important factor in the development of the egg auctions. Legislation purporting to improve wholesale and retail selling practices pertaining to the labeling and quality of eggs to be sold has been enacted in all but one State in which auctions operate. These laws, through vigorous enforcement in some States, have been made highly effective. Establishing standards of quality which can be met more easily by the nearby producer give him a definite advantage over producers in more distant or less-specialized areas of production. Auctions in States having fresh-egg legislation have therefore been patronized because they were among the most dependable sources of eggs meeting the requirements set forth in the fresh-egg statutes.

### Good Management

On the whole, managers of the auction associations have been young, aggressive, and enthusiastic individuals fully realizing their responsibilities and the opportunities before them. In guiding these associations which were adopting a relatively untried method of sale for eggs and poultry, these managers have been alert to needed changes and new ideas which would prove beneficial.

Boards of directors of the associations have given much assistance to the managers. Board members, comprised in most instances of the original enthusiastic auction members, have realized the importance of their positions and borne their just share of responsibility. Most of the boards of directors included at least several men who had had some previous business experience. This business experience has been an important factor in the adoption of and adherence to sound and progressive business practices.

# Appendix A

## Marketing Rules of the Bucks County Producers' Cooperative Association

1. Any person using the market must agree to comply with the rules herein described, to obey the directions of the manager and not to interfere with the auctioneer or his assistants when they are working in line of their duties.

2. All eggs offered for sale on this market must be packed in 30-dozen standard egg cases in good condition, new or once used if possible.

3. Forestalling is positively prohibited, that is, no produce shall be sold privately on the market before or during the auction.

4. The buyer shall be given a reasonable opportunity to inspect and candle any eggs from any case which has not been sold.

5. Any difference of opinion regarding the sale of goods will be settled by the auctioneer.

6. All cases sold on the auction shall be labeled on each end with a label designated by the board of directors.

7. Auctions shall be held at auction building each Monday and Thursday at 1 p. m., daylight saving time when in operation, otherwise standard time.

8. All eggs offered for sale will be of Pennsylvania standard grades. They will be inspected by a certified state inspector and the respective grades designated on each case.

9. A single offering of eggs shall not exceed five cases.

### *Producers*

1. All persons offering eggs for sale on the market shall sell only in the manner designated by the directors or the manager. They shall agree to the fee charged for the market services and to the manner of collection of said fee as directed by the directors.

2. All persons other than members of the association, who wish to offer eggs for sale on the market must furnish proof to the satisfaction of the manager that they owned or operated a farm and that the eggs offered for sale were produced on said farm.

3. No person shall offer for sale on the market or grounds any other commodity than fresh eggs produced in Bucks County.

4. The market manager shall use his discretion as to the withdrawal of any eggs offered for sale.

5. The market will be open for receiving eggs from 8 a. m. to 5 p. m., daylight saving time, when in operation, otherwise standard time, daily except Mondays and Thursdays from 1 to 5 p. m., and Saturdays and Sundays.

6. In case the eggs are not sold and the producer has not left any instructions as to the disposal of them they will be disposed of by the manager at his discretion.

7. A handling charge of 40 cents per case shall be charged, and an additional charge of 50 cents per case for candling and grading.

*Buyers*

1. All eggs sold on the market are sold for cash or certified check, f. o. b. the market.

Buyers must agree—

(a) To bid in fair competition with all other buyers on the market.

(b) To offer their bids at the designated auction block at the call of the auctioneer.

(c) To settle all accounts between the market and purchaser in the manner prescribed by the directors.

2. All eggs purchased on the market must be moved before 5 p. m. of the day of the sale or between 8 a. m. and 12 a. m. on the day following. Eggs left at the market after purchased are at the purchaser's risk.

3. Any persons found violating any of these rules may be barred from the market for the purpose of buying or selling produce.

4. The directors of the association reserve the right to add, alter, or suspend any or all rules without notice to buyer or seller.

Below are samples of marketing agreements used by some auction associations during the first few months of operation:

Membership Agreement

I hereby agree to consign for sale to the Brockton Cooperative Egg Auction Association a minimum of ----- cases of eggs per week for a period of at least ----- weeks after the opening of the auction. This agreement to be valid only when 50 members and 200 cases of eggs per week have been assured to said association, and provided this assurance is secured prior to September 1, 1932.

Signed -----

Address -----

Date -----

\* \* \* \* \*

Marketing Agreement ----- No. -----

I agree to abide by the articles of incorporation, the bylaws, and the marketing rules of the Wooster Cooperative Poultry Association. I further agree to consign all of my eggs to the Wooster Cooperative Poultry Association for a period of at least 3 months beginning with the first auction.

Name -----

R. F. D. No. -----

P. O. -----

Date ----- County ----- Twp. -----

Wooster Cooperative Poultry Association,

Date ----- By -----



## Appendix B

**TABLE 20.—LOCATION OF EGG AND POULTRY AUCTION ASSOCIATIONS STUDIED, 1938**

Name of association	Post office	State
Flemington Auction Market Cooperative Association, Inc.	Flemington.....	New Jersey.
The Vineland & South Jersey Cooperative Egg Auction and Poultry Association, Inc.	Vineland.....	Do.
Burlington County Cooperative Poultry Auction Association, Inc.	Mount Holly....	Do.
Tri-County Cooperative Auction Market Association, Inc.	Hightstown.....	Do.
The North Jersey Cooperative Egg Auction Association, Inc.	Paterson.....	Do.
Bucks County Producers Cooperative Association.	Doylestown.....	Pennsylvania.
Lehigh Valley Egg Producers Cooperative Association.	Bethlehem.....	Do.
Tri-County Producers Cooperative Association, Inc.	Worcester <sup>1</sup> ....	Do.
Producers Cooperative Exchange of Coatesville.	Coatesville.....	Do.
Butler Cooperative Egg Auction, Inc....	Butler.....	Do.
Mid-Hudson Cooperative G. L. F. Egg Auction, Inc.	Poughkeepsie..	New York.
Long Island Cooperative G. L. F. Egg Auction, Inc.	Central Islip, Long Island.	Do.
Capital District Cooperative G. L. F. Egg Auction Association, Inc.	Albany.....	Do.
Hamden Cooperative Poultry Auction, Inc.	Hamden.....	Connecticut.
Connecticut Farmers Cooperative Auction Association, Inc.	Hartford.....	Do.
Willimantic Poultry Association, Inc....	Willimantic.....	Do.
Brockton Cooperative Egg Auction Association.	Avon.....	Massachusetts.
Springfield Cooperative Auction Market Association.	Springfield.....	Do.
Wooster Cooperative Poultry Association.	Wooster.....	Ohio.
Bucyrus Cooperative Poultry Association.	Bucyrus.....	Do.
New Hampshire Egg Auction, Inc.....	Derry.....	New Hampshire.
Rhode Island Cooperative Auction Association, Inc.	Providence.....	Rhode Island.

<sup>1</sup> Association located at Center Point.

TABLE 21.—PERCENTAGE OF ALL FARMS REPORTING 400 OR MORE CHICKENS OR CLASSIFIED AS POULTRY FARMS, AND PERCENTAGE OF ALL CHICKENS IN FLOCKS OF 400 OR MORE OR IN POULTRY-FARM FLOCKS, FOR THE UNITED STATES, BY GEOGRAPHIC DIVISIONS AND SELECTED STATES, 1930

Division and State	Percentage of all farms		Percentage of all chickens	
	Reporting 400 or more chickens	Classified as poultry farms	In flocks of 400 or more	In poultry-farm flocks
	Percent	Percent	Percent	Percent
United States.....	1.3	2.6	13.4	14.7
Geographic divisions:				
New England.....	3.4	8.0	35.2	45.2
Middle Atlantic.....	4.1	7.4	29.1	31.2
East North Central.....	1.0	3.8	6.7	10.2
West North Central.....	1.5	2.9	6.7	5.7
South Atlantic.....	.5	1.4	11.0	13.4
East South Central.....	.1	.4	2.5	2.9
West South Central.....	.4	.9	4.8	5.3
Mountain.....	1.7	2.5	18.1	18.2
Pacific.....	9.1	10.4	65.2	67.1
Selected States:				
New Hampshire.....	4.2	10.9	39.1	55.6
Massachusetts.....	5.9	13.1	44.4	56.5
Rhode Island.....	5.8	13.9	42.8	45.2
Connecticut.....	6.3	11.8	45.8	50.9
New York.....	3.6	5.9	28.4	29.9
New Jersey.....	14.4	19.2	61.0	63.8
Pennsylvania.....	3.2	6.9	21.1	23.6
Ohio.....	1.3	4.9	9.1	13.8
Iowa.....	2.7	2.1	8.8	3.3
Missouri.....	1.5	7.0	7.3	12.9
North Carolina.....	.1	.4	3.1	4.1
Alabama.....	.1	.3	4.1	4.6
Texas.....	.5	1.1	5.8	6.3
Utah.....	7.2	6.7	50.0	48.5
Washington.....	8.5	12.2	55.1	63.9
Oregon.....	2.5	5.6	25.6	32.6
California.....	12.9	11.4	75.7	74.2

Source of data: Computed from the Census of Agriculture, 1930.

TABLE 22.—COOPERATIVE EGG AND POULTRY AUCTION ASSOCIATIONS:  
DATE OF INCORPORATION AND DATE OF FIRST EGG AND POULTRY  
SALE

Location of association	Date of incorporation	Date of first sale	
		Eggs	Poultry
Toms River, N. J.-----	May 19, 1930	June 2, 1930	-----
Flemington, N. J.-----	July 12, 1930 <sup>1</sup>	Aug. 1, 1930	Apr. 29, 1931
Vineland, N. J.-----	Mar. 12, 1931 <sup>2</sup>	June 2, 1931 <sup>3</sup>	Sept. 20, 1932
Mt. Holly, N. J.-----	Dec. 7, 1931	Jan. 5, 1932 <sup>4</sup>	Dec. 8, 1931
Paterson, N. J.-----	Jan. 19, 1933	Feb. 3, 1933	May 3, 1933
Hightstown, N. J.-----	do <sup>5</sup>	Nov. 2, 1933	Nov. 4, 1937
Doylestown, Pa.-----	Apr. 27, 1931	July 13, 1931	Apr. 13, 1937
Bethlehem, Pa.-----	May 12, 1932	July 12, 1932	-----
Center Point, Pa.-----	June 1, 1932	July 11, 1932	-----
Coatesville, Pa.-----	Jan. 21, 1937 <sup>6</sup>	Sept. 20, 1932	Apr. 4, 1935
Butler, Pa.-----	June 5, 1933	July 11, 1933	-----
Central Islip, N. Y.-----	Oct. 10, 1932	Oct. 26, 1932	Jan. 18, 1933
Poughkeepsie, N. Y.-----	Dec. 13, 1932	Oct. 18, 1932	( <sup>7</sup> )
Albany, N. Y.-----	June 15, 1933	July 25, 1933	June 6, 1934
Buffalo, N. Y.-----	July 19, 1933	do	-----
Brooklyn, N. Y.-----	June 5, 1934	July 7, 1934	-----
Willimantic, Conn.-----	Jan. 30, 1931 <sup>8</sup>	Oct. 23, 1934	Oct. 23, 1934
Hartford, Conn.-----	Apr. 18, 1933	Apr. 26, 1933	Apr. 26, 1933
Hamden, Conn.-----	Dec. 14, 1934 <sup>9</sup>	Apr. 25, 1933	Apr. 25, 1933
Brockton, Mass.-----	Aug. 2, 1932	Aug. 1, 1932	Feb. 28, 1934
Springfield, Mass.-----	July 19, 1933	July 6, 1933	Feb. 13, 1934
Wooster, Ohio.-----	May 2, 1932	July 11, 1932	Apr. 4, 1935
Bucyrus, Ohio.-----	Jan. 6, 1934	June 11, 1934	-----
Derry, N. H.-----	Oct. 19, 1937 <sup>10</sup>	do	-----
Providence, R. I.-----	July 16, 1930	July 16, 1936	June 15, 1937
Lynn, Mass. <sup>11</sup> -----	July 1, 1937	Oct. 18, 1937	-----

<sup>1</sup> The name of the association was changed from "Flemington Auction Market Association, Inc.," to "Flemington Auction Market Cooperative Association, Inc.," on Sept. 16, 1930.

<sup>2</sup> The "Vineland and South Jersey Cooperative Egg Auction and Poultry Association, Inc.," was formed by the merger of the "Vineland Cooperative Poultry Association" and the "Cooperative Egg Auction Association of South Jersey, Inc.," on July 21, 1934.

<sup>3</sup> Original poultry auction located at Eimer, N. J.; moved to Vineland on May 4, 1933.

<sup>4</sup> First eggs offered for sale; poultry sold previously.

<sup>5</sup> Organized originally as a fruit and vegetable auction association; eggs not handled until Nov. 2, 1933.

<sup>6</sup> Operated from Sept. 20, 1932, to Jan. 21, 1937, under the Coatesville Chamber of Commerce. Organized as a farmers' cooperative marketing association on Jan. 21, 1937.

<sup>7</sup> Poultry auction tried at Monticello, N. Y., in June 1934 but proved unsuccessful.

<sup>8</sup> Prior to this date the association operated under the name of the Windham County Poultry, Pigeon, and Small Stock Association, originally incorporated on Nov. 19, 1925.

<sup>9</sup> Operated under the New Haven Auction Association from Apr. 25, 1933, to Dec. 14, 1934.

<sup>10</sup> Operated from June 11, 1934, to Nov. 17, 1937, by the Farmers' Trading Post, Inc.

<sup>11</sup> The Maine Poultry Cooperative, Inc., has its principal office at Augusta, Me., where it began to operate on a pool basis. Later a sales office was established at Lynn, Mass., where the auction method of selling was attempted. This sales office is still operating but not selling at auction.

Source of data: Compiled from the association records by the authors in 1938.

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- Cooperation in Agriculture, a Selected and Annotated Bibliography**, Bulletin No. 4, *Christina Gardner*
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