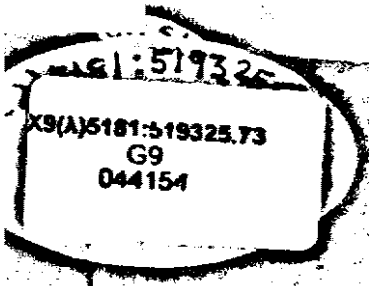


Livestock Auction Sales in the United States

by **C. G. Rondell**

and **J. B. Mann**



Farm Credit Administration

Cooperative Research

and Service Division

WASHINGTON, D. C.

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*Director of Information and Extension
Farm Credit Administration, Washington, D. C.*

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by

C. G. Randell

Principal Agricultural Economist

and

L. B. Mann

Senior Agricultural Economist



Farm Credit Administration
Cooperative Research and Service Division
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summary

THE auction is one of the oldest methods of marketing livestock both in this country and abroad. The first livestock auction in the United States of which any record is available was held in Ohio in 1836. Other early livestock auctions include the court-day sales in central Kentucky in the 1850's; an auction started at Union, Iowa, in 1904; one at Berlin, Ohio, in 1911, and one at Grand Island, Nebr., in 1912.

Development of these sales was slow at first but increased rapidly after 1931. The period of greatest expansion was from 1932 to 1936. In 1937 available information indicated that 1,317 livestock auction markets were operating in 37 States with an annual volume of several million head of livestock. The heaviest concentration of auctions was in the Corn Belt, where 67 percent of them were operating. Data obtained from 181 of these agencies located in 14 States formed the basis of the present study.

Some of the important factors contributing to the growth of auctions were: (1) Low prices for livestock caused by the depression, starting late in 1929; (2) disastrous droughts in 1933, 1934, and 1936; (3) desire on the part of many producers to sell their stock near home; (4) dissatisfaction with relatively high marketing costs;

(5) competition for farmers' business by local merchants and chambers of commerce; (6) the general trend toward decentralized and direct marketing which has been under way since 1924, following the greatly expanded hard-surfaced road mileage and the increased use of trucks for transportation.

Traders and dealers were the leading promoters of auction sales; auctioneers were of secondary importance. Approximately 92 percent of the auctions studied were privately owned and 8 percent were cooperative. More than 94 per cent of the auctions surveyed held weekly sales.

Almost half of the auctions studied were straight livestock sales; the majority sold all classes of livestock. Some, however, specialized in the handling of only one class of stock. Others were primarily feeder livestock auctions. At the rest of the sales miscellaneous goods, such as farm machinery, hardware, harness, feed, seed, fence posts, household goods, and poultry, were also sold. The quantity of miscellaneous goods varied considerably, but in all cases livestock was the most important commodity handled.

The annual volume of livestock handled varied from less than 5,000 to more than 75,000 head

per auction; 42 percent of the auctions handled less than 20,000 head; 36 percent handled between 20,000 and 50,000, and 22 percent handled more than 50,000. Only 10 auctions had a volume of 75,000 head or more. The general trend in volume of livestock handled from 1934 to 1937 by 31 auctions indicates an increase in the number of cattle and sheep but a decrease in the number of hogs sold.

From a comparison of the volume of business handled with the net income earned, it appears that auctions handling 50,000 to 75,000 head of livestock a year made the largest proportionate net returns and those handling less than 25,000 head per year were the least profitable. The value of the livestock sold at 105 auctions in 1936 varied from \$10,000 to \$4,437,000 with an average of \$550,320 per auction.

The bulk of livestock handled by the auctions studied came from an area within 50 miles, although at some of the auctions part of the volume, especially of feeder stock, came from distances of 100 miles and more.

Seventy-four percent of the livestock was reported as supplied by farmers and 26 percent by traders. Purchases, as reported by 79 auctions, indicate that farmers bought 36 percent of the livestock; packers, 22 percent; order buyers, some of whom were traders as well, 22 percent; and traders, 20 percent.

The cost of auction equipment as reported by 116 auctions varied

from a few hundred dollars for movable hurdles set up in the streets to \$90,000 invested in a large modern auction yard. The average cost was \$7,345 per auction.

Scales for weighing livestock were available at three-fourths of the auctions studied. Auctions without scales and a few of those with scales sold all livestock by the head. At some auctions the system of selling both by head and by weight was followed.

Commission charges for selling livestock at 51 percent of the auctions were based on a percentage of gross sales, 44 percent computed their charges on a per-head basis, and 5 percent on a percentage of gross sales for some kinds of livestock and a per-head charge for others.

In addition to the commission charge, 13 percent of the auctions reporting made a separate charge for yardage. About one-third of the auctions assessed a separate charge for feed, but most of them charged only the actual cost of feed. Some auctions made a specified charge for health inspection, vaccination, brand inspection, and insurance.

Total costs for selling medium- and heavy-weight cattle and hogs of higher valuation, as well as larger lots of cattle and hogs, were greater at most of the auctions studied than at the Kansas City and Chicago markets. Selling of small lots of low-grade and light-weight stock, however, cost less at auctions than at the public stock-

yard markets. Sheep and lamb commissions were generally lower at auctions than at public markets.

Average attendance at 117 auction sales varied from less than 200 to more than 800 per sale. Maximum attendance at one sale was reported to be 3,400.

Eight of the States covered by the survey had enacted legislation particularly designed to regulate the sale of livestock at local markets. In some of these States, however, legislation was inadequate and in others, it was not fully enforced.

Of the 181 auctions studied, only 29 percent carried bonds for the protection of shippers against loss. These bonds ranged in amounts from \$1,000 to \$40,000; 57 percent were \$5,000 or less. Several States require that auctions carry a flat bond of \$1,000, while others require that the amount carried equal an average day's sales and purchases.

More than three-fourths of the producers reporting indicated a favorable attitude toward the auctions and the same proportion believed that they would be permanent. A small percentage stated that auctions would be permanent only if properly supervised and operated.

From this study it appears that the auction method of marketing is likely to continue as an important part of our livestock marketing machinery.

The auction appears to offer some features which appeal to farmers. Its usefulness is limited,

however, by certain inherent weaknesses. Among the favorable features is convenience of a local cash market, especially for odd lots of low-grade livestock as well as a means of exchange of locally produced feeder and breeder stock. Auctions also afford an opportunity for open competitive bidding, especially on replacement—feeder and breeder stock—by farmers. Another favorable feature at some auctions is the sale of livestock in pools on a graded basis.

Among some of the weaknesses which detract from their efficiency as marketing agencies are: Expense, unsatisfactory and unethical selling, buying and weighing practices; rough handling of livestock; lack of buying competition; financial instability; danger of spreading disease; lowering of quality of breeding stock; sale of stolen stock; and decentralized and disorganized selling.

To date cooperatives have played a minor role in the development of auctions, primarily because of the speculative risk involved, relatively high cost of facilities which are used by most auctions only once a week; and furthermore, because cooperatives feel that the auction development has duplicated established marketing machinery without showing sufficient improvement over existing marketing methods. The growing importance of the auctions over a wide area, however, is a matter which directly affects cooperatives and may no longer be overlooked by them.

Cooperatives might consider supplementing their present marketing methods by adopting some of the desirable features of the auctions, especially in the sale of feeder and breeder livestock. For a more detailed treatment of the auctions as marketing agencies for livestock see Appraisal and Conclusions, pp. 92-101

Livestock Auction Sales *in the* United States

METHODS of marketing livestock in the United States have changed decidedly since 1924, following a general trend toward decentralization. Among the most important of these changes is the establishment of local auctions or community sales.

Since 1931 the livestock auction development has expanded until it is recognized as an important method of marketing livestock over a wide area of the United States. In 1937, according to available records, 1,317 livestock auctions were operating, most of them on a regular weekly basis. The heaviest concentration of auctions is in the Corn Belt, while the Range States and Pacific Coast States have a much smaller number, as shown in table 1 and figure 1.

Origin of the Livestock Auction Sale

AUCTIONS represent one of the oldest methods of marketing, both in this country and abroad. Auctions appeared as early as 1836 in England, and even now in England, Scotland, and Wales the auction sale is the principal method used for marketing livestock. In 1937, there were approximately 70 of these auctions in Scotland, 700 in England, and 32 in Ireland. Because some of our auctions have been patterned after those in the British Isles, and since producers in

NOTE.—Appreciation is due the auction operators, producers, and others whose cooperation made possible this study. Acknowledgment is made of the assistance of the following persons in conducting the survey on which this bulletin is based: R. C. Ashby, University of Illinois, Urbana, Ill.; Knute Bjorks, U. S. Department of Agriculture, Washington, D. C.; L. M. Brown, South Dakota State College, Brookings, S. Dak.; R. T. Burdick, Colorado State College, Fort Collins, Colo.; Phil S. Eckart, Montana State College, Bozeman, Mont.; H. E. Erdman, University of California, Berkeley, Calif.; W. T. Fullilove, Georgia Experiment Station, Experiment, Ga.; Homer J. Henney, Kansas State College, Manhattan, Kans.; Geo. F. Henning, Ohio State University, Columbus, Ohio; C. F. McClaugherty, Division of Markets, Narrows, Va.; D. H. Stark, Michigan State College, East Lansing, Mich.; Sam H. Thompson, Iowa State College, Ames, Iowa; and H. H. Hulbert and K. A. Keithly of the Farm Credit Administration. Credit is also due L. S. Hulbert and E. Marks of the Farm Credit Administration for preparation of the material on statutes and regulations governing auction markets, and D. Jean Miller for preparation of the statistical data.

TABLE 1.—NUMBER OF LIVESTOCK AUCTION MARKETS IN EACH STATE AND THOSE COVERED BY THE SURVEY, 1937

State	Auctions covered by the survey	Total in State
Iowa.....	48	195
Illinois.....	16	139
Kansas.....	19	139
Missouri.....	12	113
Nebraska.....	7	98
Oklahoma.....		92
Ohio.....	7	76
Indiana.....		44
Minnesota.....		38
Colorado.....	11	33
Kentucky.....	6	32
New York.....		30
California.....	6	27
South Dakota.....	6	27
Georgia.....	15	23
Tennessee.....		23
West Virginia.....		22
Alabama.....		20
Texas.....		19
Arkansas.....		16
Virginia.....	13	16
Mississippi.....		15
Florida.....		14
Michigan.....	13	13
Pennsylvania.....		13
Delaware.....		5
South Carolina.....		5
Idaho.....		4
Maryland.....		4
North Carolina.....		4
Wyoming.....		4
Montana.....	2	3
New Mexico.....		3
Wisconsin.....		3
Louisiana.....		2
New Jersey.....		2
Washington.....		1
Total.....	181	1,317

Source of data: Compiled from information obtained from auction operators, State colleges, and the United States Department of Agriculture.

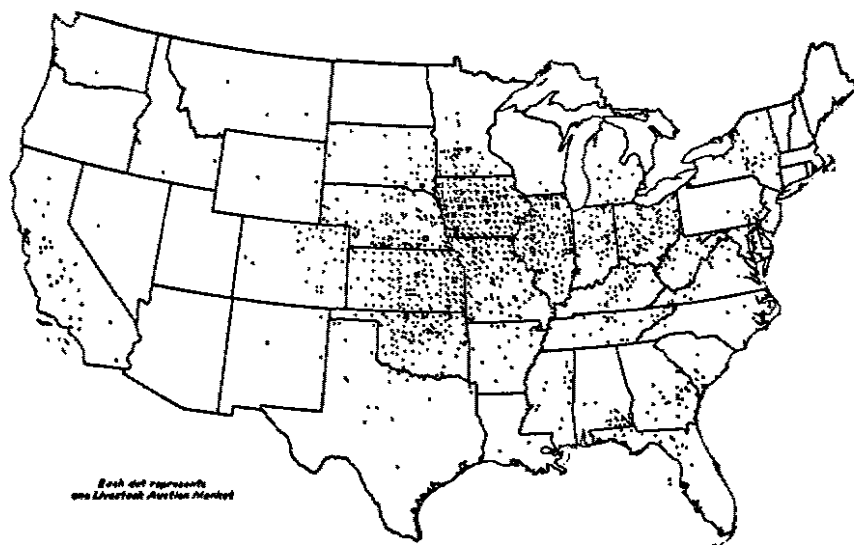


FIGURE 1.—LOCATION OF LIVESTOCK AUCTION MARKETS IN THE UNITED STATES, 1937.

Sixty-seven percent of the 1,317 auctions operating were located in 10 central States

the United States have been confronted with problems similar to those of the British auctions, a brief summary of the development in Great Britain appears in appendix C, page 114.

The first public livestock auction sale in the United States, of which any record is available, was held in 1836 in Ohio under the auspices of the Ohio Company for Importing Cattle. This company was organized by prominent Ohio stock breeders to import purebred English cattle.¹

Another pioneer American livestock sale was established in 1853 at London, Ohio, by a group of men under the name of the Madison County Importing Company. At their first sale in September 1853, they sold 15 bulls, 9 cows, 12 hogs, and 20 sheep—all imported—for \$26,257.

The members of this company concluded that a monthly market for commercial livestock would be desirable, and so organized the Madison County Livestock Sales. The first sale by this new company was held on March 5, 1856. Cattle were sold to the highest bidder by regular auctioneers in the public square, or they were withdrawn, at the option of the owner. The sale was held on the first Tuesday of each month. As early as March 2, 1869, sales of

¹ Clemed, R. C. *THE AMERICAN LIVESTOCK AND MEAT INDUSTRY*, 372 pp., illus. 1923, New York, p. 80.

cattle at this auction amounted to 1,000 head. From 1853 to 1912, this monthly auction was of great importance.²

The "court day" sales held each court day in central Kentucky at Paris, Lexington, Versailles, Frankfort, and Georgetown, were among the most important livestock auction sales in the 1850's.³ Stock was sold both at auction and by private treaty. Feeder, breeder, and fat livestock were sold to buyers from Kentucky, New York, Pennsylvania, New Jersey, Maryland, Virginia, the Carolinas, and Louisiana at these monthly sales.

With the growth and development of large central markets at Cincinnati, Buffalo, Pittsburgh, and other points, these court day sales declined. They were forerunners, however, of the present day livestock auctions in Kentucky.

In 1904 a community livestock auction was established at Union, Iowa.⁴ Here sales were held once or twice a month from September to March.

In 1911 an auction was started by a group of Mennonite farmers at Berlin, Ohio. This sale is still operating.⁵

Among the earliest of the livestock auctions to be established in the West was the Grand Island Livestock Commission Company at Grand Island, Nebr.⁶ This company, which started in November 1912 as a horse and mule market, expanded its operations later to handle all classes of livestock and is still one of the most important livestock auctions in the country.

In 1917, farmers in Kern County, Calif.,⁷ through the Kern County Farm Bureau, established an auction for the purpose of selling hogs to packers and local butchers. The first sale was held at Wasco, Calif., on February 10, 1917. This sale was so satisfactory that others were held in this and adjoining counties. Within the next 2 years the organization expanded to include seven counties in the San Joaquin Valley. It is still operating as the California Farm Bureau Marketing Association with auction sales at five points in the valley. In recent years the association has included in its sales cattle and calves, in addition to hogs.

² Ohio Farmer, January 15, 1859, v. 8, No. 3, p. 17.

Plumb, Chaires S. *MARKETING FARM ANIMALS*, 366 pp., illus. 1927. Boston.
Eckert, Phil S., and Henning, Geo. F. *THE LIVESTOCK AUCTION IN OHIO*. Ohio Agr. Expt. Sta. Bull. 557, 27 pp., illus. p. 3.

³ See pp. 75-78 of reference cited in footnote 1.

⁴ Thompson, Sam H., and Bjorka, Knuta. *COMMUNITY LIVESTOCK AUCTION IN IOWA*, Iowa Expt. Sta. Bull. 376. 343 pp., illus. 1938.

⁵ Eckert, Phil S., and Henning, Geo. F. *THE LIVESTOCK AUCTION IN OHIO*. Ohio Agr. Expt. Sta. Bull. 557, 27 pp., illus. p. 4.

⁶ Information supplied by company.

⁷ Nourse, E. G., and Knapp, J. G. *THE COOPERATIVE MARKETING OF LIVESTOCK*, 486 pp. 1931. Washington. p. 204. Information also supplied by the association.

The present livestock auction development throughout the Eastern and Southern States started with the Kentucky lamb auctions.² The first sale was held at Lexington, Ky., in May 1922. At first these sales consisted mostly of lambs but later they included cattle, calves, and hogs. In 1937 there were 32 regular weekly auction sales in the State. These auctions are at present the most important marketing channels used by Kentucky farmers and stockmen in the sale of fat lambs, veal calves, and feeder and breeder livestock.

The success of the Kentucky auctions was the stimulus that prompted establishment of sales of similar types in Ohio, Virginia, West Virginia, Tennessee, Georgia, and Alabama. In fact, many of these auctions were promoted by men from Kentucky.

The auction development in the Corn Belt and Plains States followed along the lines of the purebred sales, the farm disposal sales where general farm equipment and stock were offered, or the feeder auctions. Earliest development of these types was found in Nebraska and Iowa.

Purpose and Method of Study

RAPID development of auctions, their increasing importance in the marketing field, and their influence upon cooperative livestock marketing led to a study of a representative group of these markets in 14 States during 1936 and 1937. The Cooperative Research and Service Division of the Farm Credit Administration carried on this study in cooperation with State agricultural colleges, universities, State departments of markets, and in one State with the Bureau of Agricultural Economics of the United States Department of Agriculture.

Briefly stated the objectives were as follows:

1. To determine the factors which contributed to the development and growth of livestock auction markets in the United States.
2. To ascertain the present status of auction markets with respect to numbers, geographical location, volume, and character of business handled.
3. To obtain information with regard to livestock auctions—their organization, financial set-up, methods of operation, financial responsibility, and the nature of their services to livestock producers.
4. To determine where representative farmers and stockmen located in the trade territory of livestock auctions market their livestock and the attitude which farmers have toward the auctions, together with their experiences in selling and buying through these and alternative market outlets.

² Johnson, E. C. KENTUCKY LIVESTOCK AUCTION SALES ORGANIZATION, Ky. Agr. Expt. Sta. Bull. 270, 256 pp., illus. 1926.

5. To appraise the economic effectiveness of auctions as agencies for the marketing and handling of slaughter, feeder, and breeder stock.

In order to obtain the information upon which this study is based, representatives of the cooperating agencies personally interviewed livestock auction managers and owners. The investigators attended 181 representative auction sales in 14 States and obtained first-hand information as to the organization set-up, operating methods, and the kinds of livestock handled.

The investigators also personally interviewed 710 farmers and stockmen, located in the trade territory covered by the auctions studied, to ascertain their methods of marketing livestock, the kinds and number marketed, their experiences in marketing through auctions and other channels, and their attitudes toward the auction method of selling as compared with other methods.

To supplement this information, questionnaires were sent to approximately 20,000 farmers and stockmen. Replies were received from 3,057 informants.

In addition to this information, facts were obtained from county agents, extension workers, marketing associations, representatives of State and Federal departments of agriculture, and from State brand inspectors.

An analysis of the data obtained through questionnaires, personal interviews, and actual observation by investigators forms the basis of this bulletin.

Development of Livestock Auctions in the United States

LIVESTOCK auction development in the United States, though scattered and slow at first, has progressed more rapidly in recent years. One of the principal reasons for the rapid expansion of auction development in the United States was the depression starting in late 1929 and extending into 1934. During this period, livestock prices declined to such low levels that farmers desired to reduce marketing expenses and to lessen risks by selling livestock near home. The auction market fitted in with this plan.

Another condition favorable to auction development in certain areas was the widespread droughts of 1933, 1934, and 1936. These droughts resulted in a forced movement of livestock from many sections of the range, Great Plains, and western Corn Belt States into central and eastern areas where feed was more plentiful.

Other auctions were established, regardless of need for the service, through a desire on the part of merchants and local chambers of com-

merce to pull farmers' trade to certain towns from already established auctions.

Establishment of Auction Markets Studied

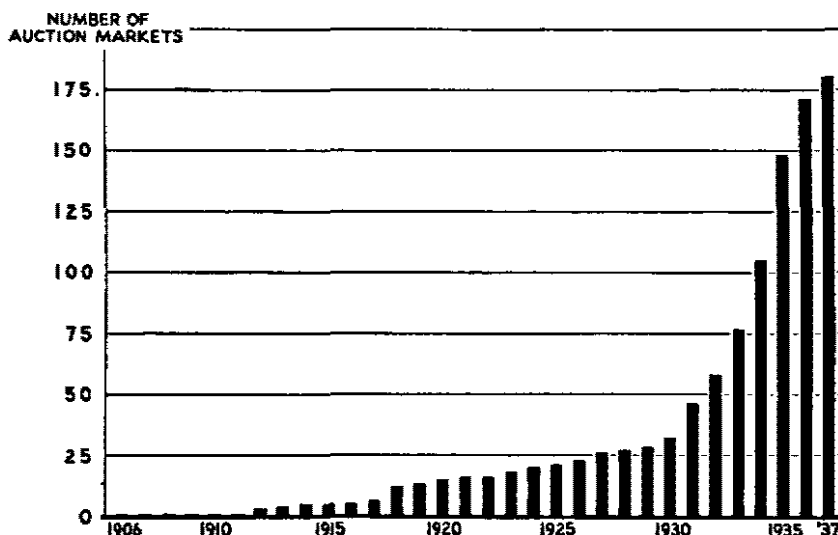


FIGURE 2.—OPERATION OF 181 LIVESTOCK AUCTION MARKETS, BY YEARS, 1906-37.

The greatest development in this field occurred from 1930 to 1937.

Of the livestock auctions from which information was obtained, 84 percent were established during the years 1930-37 (see table 2 and fig. 2). While the facts in this table may not be strictly representative of development throughout the United States, they do show that there has been major growth among auctions in recent years.

TABLE 2.—ORGANIZATION PERIODS OF 181 AUCTION MARKETS

Period	Auctions reporting	Percentage of total
	<i>Number</i>	<i>Percent</i>
1905-09.....	1	0.6
1910-14.....	4	2.2
1915-19.....	8	4.4
1920-24.....	7	3.9
1925-29.....	8	4.4
1930-34.....	78	43.1
1935-37.....	75	41.4
Total.....	181	100.0

Source of data: Compiled from information obtained from the auction operators.

Among 149 operators interviewed who gave reasons for promoting auctions, 60 percent indicated profit as their motive, and only 17 percent gave reduction of marketing costs through establishment of local markets. Various other reasons advanced included benefit to local communities, and popular demand on the part of farmers and merchants.

The leading promoters were traders and dealers, who represented 38 percent of the 150 auctions reporting, while auctioneers were of next importance, as shown in table 3. The remainder was made up of a wide variety of interests, including local butchers, farmer organizations, railroads, chambers of commerce, and local farmers and businessmen.

TABLE 3.—PROMOTERS OF 150 LIVESTOCK AUCTION MARKETS

Promoters	Auctions reporting	Percentage of total
	<i>Number</i>	<i>Percent</i>
Traders and dealers.....	57	38.0
Auctioneers.....	30	20.0
Local farmers and businessmen.....	17	11.3
Farm bureaus.....	10	6.7
Professional auction operators.....	9	6.0
Originally sponsored by county agents and later operated by country traders and businessmen.....	6	4.0
Chambers of commerce.....	4	2.7
Managers of cooperative livestock shipping associations.....	3	2.0
All others.....	14	9.3
Total.....	150	100.0

Source of data: Compiled from information obtained from auction operators.

Like any new development, the livestock auction attracted a considerable number of misfits, who were not capable or financially able to operate an efficient business organization.

Ownership

Privately owned and operated auctions numbered 92 percent of the 181 studied and cooperatives operated 8 percent. The privately owned auctions included 46 percent owned by partnerships, 31 percent by individuals, and 23 percent by corporations.

Partnerships varied from 2 to 7 members, the majority being 2 or 3. Stock in incorporated auctions was usually reported to be held by few individuals, generally from 3 to 5. A few auctions reported as many as 50 stockholders, and one as high as 180.

Of the 14 States where auctions were studied, Colorado, Iowa, Kentucky, Nebraska, Ohio, South Dakota, and Virginia, had State-

wide auction organizations. The chief purposes of such organizations are to promote the auction industry, to act as a clearing house on matters of mutual interest, to influence regulations pertaining to auctions, and to give assistance to auction operators in economic and other problems. Only 24 percent of the auctions reporting belong to State-wide organizations.

Cooperatives have been slow to establish auctions because most of them lack confidence in this method of sale, fail to see justification for an additional type of marketing, dislike the speculation and risk involved, and do not have the funds required for facilities.

Only 15 of the 181 livestock auction markets studied were cooperatives. These were located as follows: Ohio, 7; California, 6; Georgia, 1; and Virginia, 1.

Methods of Financing

Analysis of the various methods used in financing livestock auctions indicates that the greater part of the capital was supplied by private individuals. Of the 125 operators who reported on methods of financing, about three-fourths used this method. The next most common method, used by about one-tenth of the operators, was the sale of capital stock. Other methods used included financing by chambers of commerce, local farm bureaus, railroads, and cooperative marketing associations.

In Ohio several auctions were financed by local cooperatives and by cooperatives located on terminal stockyard markets. In California all the cooperative auctions were financed and operated by the local farm bureaus. A unique method was discovered in Virginia and in Georgia, where the local boards of county supervisors and commissioners provided funds for constructing facilities.

Types of Auction Markets Studied

Auction markets studied fall into two general classifications; namely, auctions selling only livestock and those handling both livestock and miscellaneous goods.

Classification of these types is shown in table 4. The largest number, 54 percent of the auctions studied, were of the general-purpose type prevalent in the Midwestern States of Iowa, Illinois, Missouri, and Kansas. Straight livestock auctions made up 46 percent of the total. These were most common in California, Georgia, Kentucky, Michigan, Montana, Ohio and Virginia.

Straight Livestock Auctions

Under this classification were two distinct kinds of sales agencies; the local auction and the terminal auction.

TABLE 4.—TYPES OF 181 AUCTION MARKETS STUDIED, BY STATES, 1938

State	Straight livestock auctions ¹	Auctions selling livestock and miscellaneous goods	Total number of auctions studied
California.....	6		6
Colorado.....	2	9	11
Georgia.....	14	1	15
Illinois.....	2	14	16
Iowa.....	12	36	48
Kansas.....	1	18	19
Kentucky.....	6		6
Michigan.....	9	4	13
Missouri.....	2	10	12
Montana.....	2		2
Nebraska.....	4	3	7
Ohio.....	7		7
South Dakota.....	3	3	6
Virginia.....	13		13
Total.....	83	98	181

¹ In addition to the 83 straight livestock auctions, some information was obtained on 2 terminal auctions, 1 at South St. Paul, Minn., and 1 at Ogden, Utah.

Source of data: Compiled from information obtained from auction operators.

Local auctions.—While most of these auctions handled all classes of livestock, several special feeder auctions were found among those studied, most important of which were those in Montana. Other States, where a sizable volume of feeder cattle and stock hogs were handled, included Nebraska, Colorado, Kansas, South Dakota, Iowa, California, Ohio, Kentucky, and Illinois.

The bulk of the feeder stock at some auctions was shipped by traders for their own account or purchased by them in the range territory for the account of auction operators. At a few of the auctions held in range territory a sizable volume of the receipts was consigned by stockmen themselves. As a rule, however, only a small percentage of stocker and feeder livestock sold at auction markets was consigned by the original owners. In numerous auctions near terminal stockyard markets, much feeder stock was purchased from these markets by trucker-traders or by auction operators and sold at the auction. In some cases traders on the terminal stockyards supplied the auction with their feeder stock either directly or through some trucker-speculator.

Terminal-market auctions.—The rapid expansion and apparent success of local auction markets was looked upon with considerable foreboding by stockyard interests, especially feeder buyers and traders.

As a means of offsetting this movement, attempts were made in 1936 to establish regular auction sales at two central markets; namely, South St. Paul, Minn., and Ogden, Utah. While no special study of these auctions was conducted and none of the sales was attended, information from reliable sources was obtained as to their operating methods and volume of business handled.

Both auctions were started in 1936, the St. Paul auction in August and the one at Ogden in September. The St. Paul auction operated from August to November while the Ogden auction extended from September to the middle of January 1937.⁹ At each auction only cattle were handled. In St. Paul only stockers and feeders were included, while at Ogden considerable numbers of slaughter cattle were sold.

The Ogden auction was conducted jointly by the Ogden Stockyards Company and the commission firms operating on that market. Cattle were consigned by growers, as well as by traders, to regular commission firms operating on the market, and the auctioneer was employed by the yard company and commission firms. About 3,800 head of cattle were sold at this auction.

At South St. Paul the Traders Livestock Exchange, in cooperation with the stockyards company, handled the operations but the auctioneers were employed by the Exchange. Cattle offered in the auction had in most cases been bought by traders on the yards and the auctioneer was informed as to the cost of the offerings. Before the sale a statement was made that, unless the price bid was sufficient to avoid a sacrifice, the cattle would not be sold. The volume handled at the St. Paul auction totaled between 6,000 and 7,000 head of feeder cattle.

Both attempts to operate central auctions were discontinued after the first season. Reasons advanced for failure included lack of interest on the part of buyers, no support by commission firms, and difficulty in securing feeder stock of uniform quality and weight.

General-Purpose Auctions

The general-purpose auctions were more or less community sales where, in addition to livestock, various articles such as used farm machinery and automobiles, feed, seeds, fence posts, household goods, poultry, and country-killed meat were sold, as shown in figure 3. At some sales new articles as well were sold, including hardware, clothing, and harness. Invariably, however, the livestock end of the business was the most important.

⁹ In September 1938 auction operations were again started at the Ogden stockyards, this time under private management. In May 1939, it was reported that this auction had become an important factor in the local cattle market.



FIGURE 3.—MISCELLANEOUS ARTICLES SOLD AT AUCTIONS.

Midwestern auctions are particularly noted for the sale of a large variety of miscellaneous articles in addition to livestock.



(FSA Photos.)

Characteristics of the Auctions by Sections

A brief description of the outstanding characteristics of auction development in the various sections where the study was conducted should afford a cross section of the country as a whole.

East Central States

Although the first auction was established in Ohio in 1836, the movement did not become of much importance in the Eastern States until the present-day auction development started in Kentucky in 1922. The number of auctions increased until 124 were reported in operation in these 3 States in 1937. This number included 76 in Ohio, 32 in Kentucky, and 16 in Virginia, as indicated in table 1. Auctions studied in the East Central States include 6 in Kentucky, 7 in Ohio, and 13 in Virginia.

The livestock auction development in Kentucky was probably the most logical in the United States because the organizers had a background of many years' experience in auction selling and trading. In addition to meat animals, Kentucky farmers have sold their tobacco, horses, mules, and livestock for breeding purposes at auctions for many years.

The present-day development in Ohio received its greatest stimulus from the Kentucky auctions and many Ohio sales were promoted by

Kentucky auction operators. Ohio has been one of the most important States in the organization of cooperative auctions, but these sales do not represent a large percentage of the total number of auctions in the State.

The first livestock auctions in Virginia were in the southwestern part of the State; the earliest one was opened at Bristol in 1932. As in Ohio, the movement was promoted largely by auction operators from Kentucky and most Virginia auctions still operate on a basis similar to those in the neighboring State.

A few auctions in Kentucky, Ohio, and Virginia handle miscellaneous commodities, but most of them sell only livestock of all classes—fat hogs, veal calves, fat lambs, some fat cattle, and the general run of butcher stock, dairy cattle, and feeder and breeder stock. The early Kentucky auctions handled mostly lambs at first but later included all classes of livestock. Some auctions in this section handle western feeder cattle during the fall and early winter. In Kentucky and Ohio some western breeding ewes are sold during this period.

At these sales, especially the larger auctions, packers, both large and small, are active buyers. Other buyers include farmers, order buyers, and traders.

The average number of cattle, calves, hogs, and sheep sold in 1936, as reported by 33 auctions in Kentucky, Virginia, and Ohio, varied from 32,627 head per auction in Virginia to 81,639 head per auction in Kentucky (table 5).

Sales barns used by auctions studied in Kentucky are mostly worked-over buildings, while in Ohio almost one-half and in Virginia about three-fourths of the auctions reported new barns.

Value of auction facilities varies with each State. In Ohio the average investment is nearly \$13,000 per auction, and in Virginia approximately \$7,000 per auction.

All the auctions studied in Kentucky, Ohio, and Virginia, have scales, and practically all livestock, with the exception of small calves, stock pigs, milk cows, and breeding ewes, is sold on a weight basis. In Kentucky and Virginia nearly all livestock is sold on an "in-weight" basis, while in Ohio, the practice of weighing both before and after sale is followed.

Much of the livestock, especially fat hogs, lambs, and veal calves, is sold by grade. There is some pooling of lambs, veal calves, and hogs, but cattle are usually sold on an individual-ownership basis.

The auction method of sale has become an established institution in Kentucky, and the larger sales attract both large and small packer-buyers. As a result, many farmers consider these auctions sufficiently competitive to establish fair prices for their stock. While the terminal markets of Louisville and Cincinnati are still important outlets

TABLE 5.—LIVESTOCK SOLD THROUGH 139 AUCTION MARKETS, 1936

State	Auctions reporting ¹	Cattle and calves			Hogs			Sheep			All species of livestock		
		Total	Average per auction		Total	Average per auction		Total	Average per auction		Total	Average per auction	
			Year	Week		Year	Week		Year	Week		Year	Week
	<i>Number</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>
California.....	6	2,920	487	9	53,595	8,983	172	938	150	3	57,453	9,576	184
Colorado.....	6	84,166	14,028	270	48,786	8,131	156	2,926	487	9	135,878	22,646	435
Georgia.....	2	43,534	21,767	419	32,888	16,444	316	505	253	5	76,927	38,464	740
Illinois.....	10	65,954	6,595	127	100,760	10,076	194	12,226	1,223	23	178,940	17,894	344
Iowa.....	45	457,168	10,159	195	372,090	8,269	159	55,907	1,242	24	885,165	19,670	378
Kansas.....	11	122,224	11,111	214	86,704	7,882	151	2,928	266	5	211,856	19,259	370
Kentucky.....	12	268,621	22,385	430	246,443	20,537	395	464,603	38,717	745	979,667	81,639	1,570
Michigan.....	4	72,380	18,095	348	50,106	12,527	241	28,904	7,226	139	151,390	37,848	728
Missouri.....	6	34,460	5,743	110	75,400	12,567	242	14,308	2,385	46	124,168	20,695	398
Montana.....	1	108,920	108,920	2,095							108,920	108,920	2,095
Nebraska.....	8	122,518	15,315	295	325,508	40,689	782	11,276	1,409	27	459,302	57,413	1,104
Ohio.....	10	148,058	14,806	285	205,433	20,543	395	151,685	15,169	292	505,176	50,518	972
South Dakota.....	7	135,573	19,367	372	200,631	28,662	551	83,910	11,987	231	420,114	60,016	1,154
Virginia.....	11	159,404	14,491	279	64,404	5,855	113	135,095	12,281	236	358,903	32,627	628
Total or average.....	139	1,825,900	13,136	253	1,862,748	13,401	258	965,211	6,944	133	4,653,859	33,481	644

¹ In Kentucky, Nebraska, Ohio, and South Dakota volume figures were obtained from some auctions not studied in detail.

Source of data: Compiled from information obtained from auction operators. Figures are for auctions operating a full year.

for some of the fat livestock from Kentucky, auction markets are handling a substantial portion of the total livestock in the State.

Auctions are quite firmly established in many sections of Ohio, and many of them appear to be giving farmers the kind of service they desire. The decentralized type of slaughter and the large number of small killing plants in the State furnish considerable buying support for auction markets.

The auction-sale business has grown rapidly in Virginia within the last few years, and appears to be fairly well established. There has been a turn-over in ownership of several auctions, however, and outside interests have promoted some for which there was little economic need. Although the volume of slaughter stock handled has increased steadily since 1935, one of the most worth-while services rendered by auctions is the exchange of feeder and breeder livestock.

Central Corn Belt

Auctions studied in the central Corn Belt include 16 in Illinois, 48 in Iowa, 13 in Michigan, and 12 in Missouri. While the auction development in this section, as in other areas, has been mostly of recent origin, a few scattered community sales were started much earlier—the first one in 1904. Auctions were of little importance here, however, until 1930 or 1931. In these four States in 1937, 460 auctions were reported: 195 in Iowa, 139 in Illinois, 113 in Missouri, and 13 in Michigan (table 1).

Most auctions in this section are of the community-sale type, handling livestock as the principal commodity and in addition all kinds of miscellaneous articles such as hay, corn, fence posts, lumber, farm machinery, fresh meats, harness, hardware, paints, and household goods. A number of the auctions, however, handle only livestock. As a rule, the auctions are small, and are used largely for the sale or exchange of breeder and feeder stock. A few of them hold special feeder sales during the fall and winter months.

Livestock sold consists for the most part of dairy cows, low-grade slaughter stock, veal calves, feeder and breeder cattle, stock pigs, brood sows, horses, and some sheep. With the exception of veal calves, very little fat stock is sold at the auctions in these States except in Michigan. Here considerable numbers of fat hogs and fat lambs are disposed of.

The average number of cattle, calves, hogs, and sheep sold in 1936, as reported by 65 auctions in Illinois, Iowa, Michigan, and Missouri, varied from 37,848 head per auction in Michigan to 17,894 head per auction in Illinois, as shown in table 5.

In these three States most buyers are farmers, traders, or small butchers. At some of the larger auctions interior packers, as well



(Courtesy R. C. Ashby, University of Illinois.)

FIGURE 4.—COMMUNITY-TYPE AUCTION SALE IN THE CENTRAL CORN BELT.

At these sales numerous articles in addition to livestock are sold.

as a few eastern order buyers and terminal market packers, are represented.

Sales barns used by the auctions studied in Illinois and Missouri were usually worked-over buildings. In Iowa about one-half, and in Michigan more than three-fourths, of the auctions reported new buildings for their sales. A sales barn in this area is shown in figure 4.

Facilities used by many Missouri auctions differ from those in other States in that the sales are held in the streets of the town where temporary hurdle pens have been erected to hold the livestock. After the sale closes, the pens are removed and the streets are cleaned. A representative street auction is shown in figure 5.

Investment in facilities represented about \$4,600 per auction in Illinois, \$6,300 in Iowa, and \$8,000 in Michigan. In Missouri the average cost per auction studied was only about \$675.

While 58 of the 89 auctions studied in this section had scales, some of them did not weigh livestock. In Illinois and Missouri most of the livestock is not weighed but is sold by the head. In Iowa a substantial part of the livestock is sold by weight, but whether it is weighed or not is optional with the consignor. In Michigan, auctions having scales weigh nearly all livestock except dairy cattle, feeders, stockers, and breeder stock.

With the exception of the Michigan auctions and some of the larger and older auctions where feeder cattle, stock pigs, and veal calves are graded, few of the operators attempt to grade livestock. Almost all sales are made on an individual-ownership basis.

With the large number of established terminal markets serving producers in most parts of the Corn Belt, there appears to be less economic need for the development of auction markets in this area than in many others. There may be some justification, however, for a limited number of auctions for the sale and exchange of breeder

and feeder stock, horses, and miscellaneous goods. There seems little to be gained from the sale of fat stock through auctions, except possibly in localities where interior packing plants operate.

Plains

Auction development in the Plains, as in most other sections, has come about largely since the depression and drought years following 1932. A few of the present-day auctions, however, began operating as early as 1912. In 1937, 139 auctions were operating in Kansas, 98 in Nebraska, and 27 in South Dakota (table 1). Auctions studied in the Plains section include 19 in Kansas, 7 in Nebraska, and 6 in South Dakota.

Auctions in these States are for the most part of the community-sale type, although there are some straight livestock auctions. Some of the straight livestock auctions specialize in stockers and feeders, mostly cattle. Other livestock sold consists of milk cows, breeding stock, stock pigs, medium-grade butcher stock, veal calves, some fat hogs, and a few fat cattle.

The average number of cattle, calves, hogs, and sheep sold in 1936—as reported by 26 auctions in Kansas, Nebraska, and South Dakota—varied from 19,259 head per auction in Kansas, to 60,016 head per auction in South Dakota, as shown in table 5, page 14. Buyers included farmers, representatives of interior packers, small butchers, and traders.

Of the 32 auctions surveyed in the Plains section, 56 percent in Kansas and 43 percent in Nebraska reported new buildings. Other auctions in Kansas and Nebraska, and nearly all in South Dakota,



FIGURE 5.—STREET AUCTION IN MISSOURI.

Numerous auctions in this State are held on streets in the business sections, with movable hurdles as pens.



FIGURE 6.—TYPICAL KANSAS AUCTION SCENE.

Many auctions in this section have constructed new sales barns for their operations.

reported worked-over purebred-sale barns, county fair and other buildings as being used for auctions. A sale barn used by an auction in Kansas is shown in figure 6. Investment for facilities amounted to about \$6,400 per auction in Kansas, \$24,000 in Nebraska, and \$7,600 in South Dakota.

The use of scales in these States is not consistent. In Kansas, only 11 of the 19 auctions studied had scales, and only one of 6 in South Dakota had a scale; in Nebraska, however, scales are reported to be used generally.

The auction sales in Kansas appear to have become fairly well established as local markets where farmers can easily and quickly sell and buy livestock. They offer a cash market for odd lots of butcher stock and of breeder and feeder stock; an easy means of disposing of farm and household goods, and a place to buy needed used articles. They also afford a place where farmers and their wives can come and visit with friends and neighbors.

The chances are that the larger and better-financed auctions in Nebraska will continue to operate, especially in the handling of feeder stock. In fact, it appears that a number of these auctions are filling an economic need and have a place in the marketing field. The social feature is also quite a drawing card in Nebraska.

Livestock auctions in all three States appear to have overexpanded during the years of drought and depression following 1932, and indications are that this type of market is declining both in number of auctions and in volume of livestock handled. Until livestock numbers show a considerable increase, it is doubtful whether the movement will resume its progress in this area.

This study did not cover the State of Oklahoma, but data furnished by the Oklahoma Agricultural and Mechanical College¹⁰ indicate that

¹⁰Jacob, A. W. ANNUAL REPORT OF COMMUNITY SALES DAY ASSOCIATIONS IN OKLAHOMA. Okla. A. & M. College in cooperation with U. S. Dept. of Agriculture. Report No. 7490, 15 pp. 1937. (Mimeographed.)

auctions there are of the community-sale type and similar to others in the other plains States. In addition to livestock, these auctions handle poultry, hay, posts, farm machinery, and other miscellaneous goods. Livestock comprises about 90 percent of the total business.

In Oklahoma in 1936, 19 auction markets handled 119,248 head of cattle, hogs, sheep, and goats, or an average of 6,276 head per auction. In 1937 these auctions had a decrease of 22.3 percent, the number handled amounted to only 92,624, or an average of 4,875 head per auction.

Western Range States

In the Western States 13 auctions were studied; 11 in Colorado and 2 in Montana. The first two livestock auctions in Colorado were established in 1931 at Wray and Holyoke in the eastern part of the State. The severe droughts of 1933, 1934, and 1936, coupled with low prices, caused rapid expansion of auctions here. In 1936, there were 36 active livestock auctions in Colorado, but in 1937 only 33 were in operation (table 1, p. 2).

The first auction in Montana was started at Billings in 1934. In 1937 only three auctions were active, all operated by one corporation. A few small auctions had been organized but later discontinued.

Most of the Colorado auctions are in the irrigated sections or in the dry-land farming areas in the eastern part of the State. They handle both livestock and miscellaneous goods. Auctions in the eastern area during the summer sell fresh fruits and vegetables grown under irrigation. There are several large, straight livestock auctions located in the irrigated areas where surplus alfalfa, beet pulp, and grain are available for stock feed. A large proportion of the stock sold consists of odd lots of local breeding and feeding stock, low-grade butcher stock, and feeder cattle from the western ranges. Some auctions in the irrigated, farming areas handle considerable numbers of fat hogs, but most of their hog business consists of stock pigs and breeding stock. Cattle and calves are most numerous, and hogs next. Sheep sales are of lesser consequence.

The Montana auctions sell mostly cattle, both grass-fat and feeder and breeder stock. In both Colorado and Montana, horses are also an important item during certain seasons.

The number of cattle, calves, hogs, and sheep sold in 1936, as reported by 6 auctions in Colorado, averaged 22,646 head per auction. One auction in Montana reported the sale of 108,920 head of cattle during 1936, as shown in table 5, p. 14. Much of this business resulted from liquidation of holdings, brought about by the extreme drought. As a consequence, the 1937 volume was reduced to less than half that of 1936 for Montana and to about two-thirds in Colorado.

Livestock buyers at these auctions include farmers, traders, out-of-State feeder buyers, local packers, and some order buyers for packers both in and out of the State.

Auction-sale equipment in Colorado is for the most part good and much of it fairly recent in construction. Average investment in facilities amounts to about \$7,600 per auction. The Montana auctions have substantial equipment and are well financed and operated. An auction scene in the range section is shown in figure 7.

Nearly all the auctions studied in Colorado and Montana have scales. All livestock except small pigs, calves, and milk cows are sold on an "out-weight" basis.

Livestock auctions in Colorado, while started originally as places to dispose of odd lots of low-grade and thin feeder stock during the drought and the depression, have become well-established markets for the exchange and marketing of feeder and breeder cattle and hogs and some fat stock. Many of the larger auctions located in the productive irrigated feeding sections are performing a service in the handling of feeder cattle and stock pigs from the drier producing sections of Colorado and adjoining States.

Colorado auctions have also become quite important from a social standpoint. They offer a place where farmers and their wives can visit with friends, and an easy means for disposing of or buying household goods and other needed articles.

The Montana auctions appear to be serving stockmen, especially smaller operators, fairly well, and have attracted a sizable number of buyers for both feeder and slaughter stock. Auctions may not handle as large a volume in the near future as they have during recent years because livestock numbers have been sharply reduced by the droughts. However, these few large auctions appear to be firmly established and will, no doubt, continue to operate as clearing points for the sale and purchase of feeder and breeder cattle, and also for horses and mules.



FIGURE 7.—ONE OF THE LARGE, MODERN AUCTION YARDS IN THE RANGE SECTION.

Most auctions in this territory handle cattle primarily, and only the sales ring and office are under cover.

Pacific Coast

Auction sales studied in this section were limited to 6 in California, mostly hog sales. These sales were organized by the farm bureaus of 7 counties in the San Joaquin Valley and started operations in 1918. At present, the California Farm Bureau Marketing Association owns and operates 5 of the 6 auctions studied. These are among the oldest of the present-day livestock sales in the United States.

Until 1936 these auctions were used only to sell hogs, mostly to packers and local butchers. Since that time some of the auctions have extended operations to include cattle and calves as well. Cattle sold at straight livestock auctions are mostly feeder steers in small lots, cows, calves, and low-grade slaughter stock. Few well-finished cattle go through these sales. Sixty-seven percent of the auctions reporting receive the bulk of their livestock from a distance of 25 miles or less.

In addition to the sales in the San Joaquin Valley, an auction was established in the northern Sacramento Valley in 1935 by the Shasta County Farm Bureau. This association handles mostly stock pigs and some feeder hogs.

The number of livestock sold at the 6 sales in the State in 1936 for which data were available was reported as 53,595 hogs, 2,920 cattle, and 938 lambs, or a total of 57,453 head, with an average of 9,576 per auction as indicated in table 5, p. 14. The volume of business handled in 1937 by these auctions was 75,651 head, or an increase of 31.7 percent over 1936.

In addition to these cooperative auctions, several privately owned sales were started by local speculators and by San Francisco and Los Angeles commission firms. The largest of these auctions operates near the Los Angeles market.

Another auction development, which is limited to the sale of dairy cows, is located in the Los Angeles commercial milk producing area. From 30,000 to 50,000 cows are purchased by dealers in adjoining States each year and are shipped into this area where they are sold to dairymen as replacements, either at private sales or through auctions. It is estimated that from 50 to 60 percent of the dairy cattle move through cow auctions, which are held at the rate of about 10 sales per week.

With the exception of a few livestock auctions and of the cow auctions mentioned above, the equipment is limited largely to open local railroad stockyards and covered scale houses. All hogs, except small pigs, are sold on an "in-weight" graded basis. Cattle are sold individually on an "out-weight" basis.

The auction as a method of selling fat hogs to packers seems to be a permanent institution in California and, from indications, has performed worth-while services, especially to small hog producers. Whether the cattle auctions will be as successful remains to be seen. However, there appears to be a need for a means of supplying feeder and breeder stock to small farmers and feeders—a service which the auction should be able to perform.

Southern States

The 15 auctions studied in Georgia were considered to be typical of the development in the Southern States.

The auction method of selling livestock in Georgia is comparatively new, the first sale was established in June 1935. Since that time development has been rapid. In 1937, 23 of these livestock sales were operating and several others were being organized (table 1).

This development has come about largely because interest in livestock production has increased and no well-established marketing system such as had grown up in older livestock sections was available either within the State or in nearby States. However, several packing plants have been established in recent years, and the general practice has been either to sell to local traders, or packer-buyers, or to ship direct to packing plants.

In some sections of the State, local cooperative hog sales have been operating for several years. These sales, organized and operated mostly by county agents and extension workers, assemble and grade hogs, and sell them to packers on the basis of mail, wire, or verbal bids. For the most part, these auctions offer a market only for fat hogs and not for cattle and calves or breeder stock.

The need for a marketing system for all classes of livestock brought about establishment of several auction markets. Some of the auctions were promoted by operators from Kentucky and Tennessee, others by railroads, and still others by local traders and businessmen.

The Georgia auctions are mostly straight livestock sales, only a few auctions handle any miscellaneous commodities. The classes of livestock handled are mostly fat hogs and low-grade butcher cattle of dairy blood, some feeder and breeder stock, and a few sheep.

Buyers are country traders, packer-buyers, operators from other auctions, and farmers. Competition did not appear to be keen among packer-buyers, the principal demand being from farmers, especially for feeder and breeder stock.

Equipment at Georgia auctions is, as a whole, good, most of the sales barns and yards being new or remodeled and well-equipped, with an investment of about \$5,600 per auction. A typical sales barn used by auctions in Georgia is shown in figure 8.



FIGURE 8.—A MODERN AUCTION SALES BARN IN GEORGIA.

Most of the facilities are of modern construction because development of auctions in Georgia has been recent.

All the auctions visited had scales, and most of the livestock, with the exception of small calves, pigs, and some feeder and breeder stock, is sold by the hundredweight. Practically all hogs are sold on an in-weight basis, while cattle are sold on both in-weight and out-weight bases. Hogs are also sold by grade and in a few cases are pooled as to ownership. Cattle are sold entirely on an individual-ownership basis.

Auction sales appear to be gaining in popularity, and with the increased interest in livestock production, promise to become a permanent system of marketing, since they fill the need for local competitive cash markets.

With the decline of the cooperative hog sales, cooperative marketing is disappearing, with the exception of a few cooperative auctions, and control of livestock marketing is passing for the most part into private trading hands.

Volume and Source of Livestock Handled

It was impossible to obtain data on the total number of livestock marketed by all auctions in operation; however, data for the year 1936 were obtained for 139 auctions operating in the 14 States studied, showing a total volume of 4,653,859 head of livestock handled, or an average of 33,481 head per auction (table 5, p. 14).

Of the 139 auctions reporting, 42 percent handled less than 20,000 head of livestock, 36 percent handled between 20,000 and 50,000 head, and 22 percent handled more than 50,000 head. Only 10 auctions handled 75,000 or more, as indicated in table 6. The total value of livestock handled in 1936 by the 105 individual auctions, for which this information was obtained, varied from \$10,000 to \$4,437,000.

TABLE 6.—CLASSIFICATION OF 139 AUCTION MARKETS ACCORDING TO TOTAL HEAD SOLD, 1936

Classification by number of head	Number of auctions reporting	Percentage of auctions reporting
Less than 5,000	6	4.3
5,000-9,999	16	11.5
10,000-14,999	21	15.1
15,000-19,999	16	11.5
20,000-24,999	8	5.7
25,000-29,999	12	8.6
30,000-34,999	11	7.9
35,000-39,999	11	7.9
40,000-44,999	6	4.3
45,000-49,999	2	1.5
50,000-54,999	5	3.6
55,000-59,999	2	1.5
60,000-64,999	5	3.6
65,000-69,999	5	3.6
70,000-74,999	3	2.2
75,000 or more	10	7.2
Total	139	100.0

Source of data: Compiled from information obtained from auction operators.

At 71 percent of these auctions the livestock handled was valued at less than \$600,000 per auction, while at 29 percent the value was \$600,000 or more (table 7).

TABLE 7.—CLASSIFICATION OF 105 AUCTION MARKETS ACCORDING TO VALUE OF LIVESTOCK HANDLED, 1936

Value of livestock	Auctions reporting	Percentage of auctions reporting	Average value per auction ¹
	<i>Number</i>	<i>Percent</i>	<i>Dollars</i>
Less than \$200,000	27	25.7	99,213
\$200,000-\$399,999	25	23.8	278,093
\$400,000-\$599,999	23	21.9	477,031
\$600,000-\$799,999	7	6.7	671,087
\$800,000 or more	23	21.9	1,412,313
Total or average	105	100.0	550,320

¹ Values for individual auctions varied from \$10,000 to \$4,437,000.

Source of data: Compiled from information obtained from auction operators.

Trends in Volume Handled

The larger auctions are located primarily in the western Plains States where large numbers of feeder stock are handled, and in a few Eastern States where large numbers of fat lambs are sold.

The trend in the number of livestock handled from 1934 to 1937 is illustrated in table 8, which shows a comparison of the total number handled by 31 auctions located in 8 East Central, Corn Belt, Plains, and Pacific Coast States. The number of cattle and calves has increased substantially since 1934. In the case of hogs, the 2 drought years of 1934 and 1936 show the greatest number sold through auctions, while 1937 shows a decrease in comparison with preceding years. The number of sheep and lambs has grown steadily each year. Many auctions operating in the plains and range States most directly affected by the droughts of 1934 and 1936 showed substantial reductions in all species in 1937 as compared with 1936.

TABLE 8.—NUMBER OF LIVESTOCK SOLD AT 31 LIVESTOCK AUCTION MARKETS, 1934-37

Year	Cattle and calves	Hogs	Sheep	Total, all species of livestock
	<i>Head</i>	<i>Head</i>	<i>Head</i>	<i>Head</i>
1934.....	399, 645	565, 645	375, 270	1, 340, 560
1935.....	564, 923	467, 191	436, 964	1, 469, 078
1936.....	490, 483	642, 163	454, 815	1, 587, 461
1937.....	567, 667	464, 404	521, 101	1, 553, 172
Total.....	2, 022, 718	2, 139, 403	1, 788, 150	5, 950, 271

Source of data: Compiled from information obtained from auction operators. Includes only auctions in California, Illinois, Iowa, Kansas, Kentucky, Nebraska, Ohio, and Virginia.

Sources of Auction Receipts

While the distance from which auctions draw their livestock varies considerably, reports from 168 auctions indicate that approximately one-fourth of them received the bulk of their volume from a distance of 25 miles or less, nearly one-half from 50 miles, and about one-eighth from 75 miles. Less than one-tenth reported a distance up to 100 miles.

Auctions located in California, Ohio, and Iowa drew the bulk of their volume from the shortest distance, 25 miles or less, while the States of Nebraska, South Dakota, and Montana reported the farthest distances—from 75 to more than 100 miles. In fact, Montana

TABLE 9.—ESTIMATED DISTANCE FROM WHICH 168 AUCTIONS DRAW MOST OF THEIR LIVESTOCK

State	Percentage of auctions receiving livestock from indicated distance—					Total
	Radius of 25 miles	Radius of 50 miles	Radius of 75 miles	Radius of 100 miles	Radius of more than 100 miles	
California.....	66.7	33.3				100
Colorado.....		80.0	20.0			100
Georgia.....	26.7	46.6	26.7			100
Illinois.....	14.3	71.4	14.3			100
Iowa.....	50.0	24.0		13.0	13.0	100
Kansas.....	18.8	81.2				100
Kentucky.....		83.3	16.7			100
Michigan.....	7.7	69.2	23.1			100
Missouri.....		85.7	14.3			100
Montana.....					100.0	100
Nebraska.....		14.3	71.4	14.3		100
Ohio.....	57.1	42.9				100
South Dakota.....		33.3		66.7		100
Virginia.....		46.1	30.8	23.1		100
Total.....	24.4	49.4	13.1	8.3	4.8	100

Source of data: Compiled from information obtained from auction operators. 80 auctions reported distances for occasional shipments. Of these, 53 reported shipments from a distance of 100 miles, 12 from 200 miles, 10 from 300 miles, 3 from 400 miles, 1 from 500 miles, and 1 from more than 500 miles.

auctions received most of their stock from distances greater than 100 miles. The most common drawing area for most of the auctions was between 25 and 50 miles. Table 9 shows estimated miles from which auctions draw livestock in the 14 States.

Livestock is received mainly from producers and traders, the proportion varying for auctions and for areas. In a few States, California for example, practically all stock is consigned by producers, but in most States a sizable percentage is furnished by traders. In some sections most of the stock is received from speculators and traders.

A detailed discussion of the types of sellers and the importance of each appears under Sellers and Buyers, page 58.

Relationship of Auctions to Other Marketing Agencies

The relationship between local auctions and other marketing agencies varies widely in different sections of the United States.

In some cases in certain States the relationship is sharply competitive, in others only slightly so, while in still others the auction service has largely replaced former types of marketing. The relationship of auctions to local cooperative livestock shipping and marketing associations, to local livestock dealers, to packing plants, and to public stockyard markets is presented briefly.

Local Shipping and Marketing Associations

In some sections, particularly in the Middle West, auctions take the place of local shipping associations, while in others they supplement this service in handling feeder and breeder animals and limited numbers of fat stock. Throughout most of the eastern territory, especially in Virginia, West Virginia, and Tennessee, they are active competitors of local associations in marketing fat lambs, calves, and hogs, as well as butcher stock and feeding and breeding animals.

Local auctions in many sections perform a more complete marketing service than that offered by local shipping associations, because they provide a nearby cash market for all kinds and grades of livestock as well as a means of exchange for breeder and feeder stock. These services usually were not available through the local shipping or marketing association.

Livestock Dealers

In some sections auction development has tended to displace the local buyer, while in other places this system of marketing appears to have increased the number of trader-buyers. In Illinois and other Corn Belt States where strong local shipping associations, in many cases, had displaced the local dealer, a new type of trucker and farmer-trader has appeared. He operates mostly at local auction sales as well as in the country. The total number of these traders has increased markedly.

At a considerable number of auctions the auction operators and their employees act as dealers in purchasing livestock in the country, as well as at the auction.

With the advent of the auction in some sections, many farmers who formerly sold to dealers now consign their stock to auctions where it may be bid on by several buyers. This system has lessened the possibility of an individual buyer purchasing livestock at a price far below its value from an uninformed farmer in the country.

Packing-Plant Buyers

In Michigan, Georgia, Ohio, Iowa, southern Minnesota, and eastern South Dakota, where interior packing plants have been purchasing

large numbers of stock at their plants or from individual farmers, the auction has a tendency to force packers' bidding out into the open, and thus creates a more competitive local market situation. Most of the large packers do not buy under their own names, but have a dealer or order-buyer representative at the larger auctions to see that their competitors do not purchase stock far below its real value.

Another advantage of the auction method of sale over the direct sale to packers is that stock is weighed and graded by disinterested parties rather than by the packer-buyer.

Public Stockyard Markets

In several of the western Plains States and in the eastern Corn Belt and Appalachian sections, auctions compete with public stockyard markets, while in the Middle West auctions are primarily places where small lots of locally produced stocker, feeder, and breeder animals are sold.

The western auctions are of major importance in the sale of feeder and breeder livestock, while those in the East are centers for the sale of fat livestock as well as breeder, feeder, and butcher stock. This reduces the volume of such stock moving to public stockyard markets.

A considerable portion of the livestock sold at local auctions in several Midwestern States moves on to terminal markets. This is especially true of butcher cattle, fat hogs, and veal calves. A limited movement of feeder stock from terminal markets to local auctions through trucker-dealers was also reported.

Plant Equipment

FACILITIES used for auction purposes throughout the country differ greatly in general design, arrangement, and size. They



FIGURE 9.—TYPICAL AUCTION SCENE IN VIRGINIA.

Most auctions in this territory have excellent facilities for handling livestock.

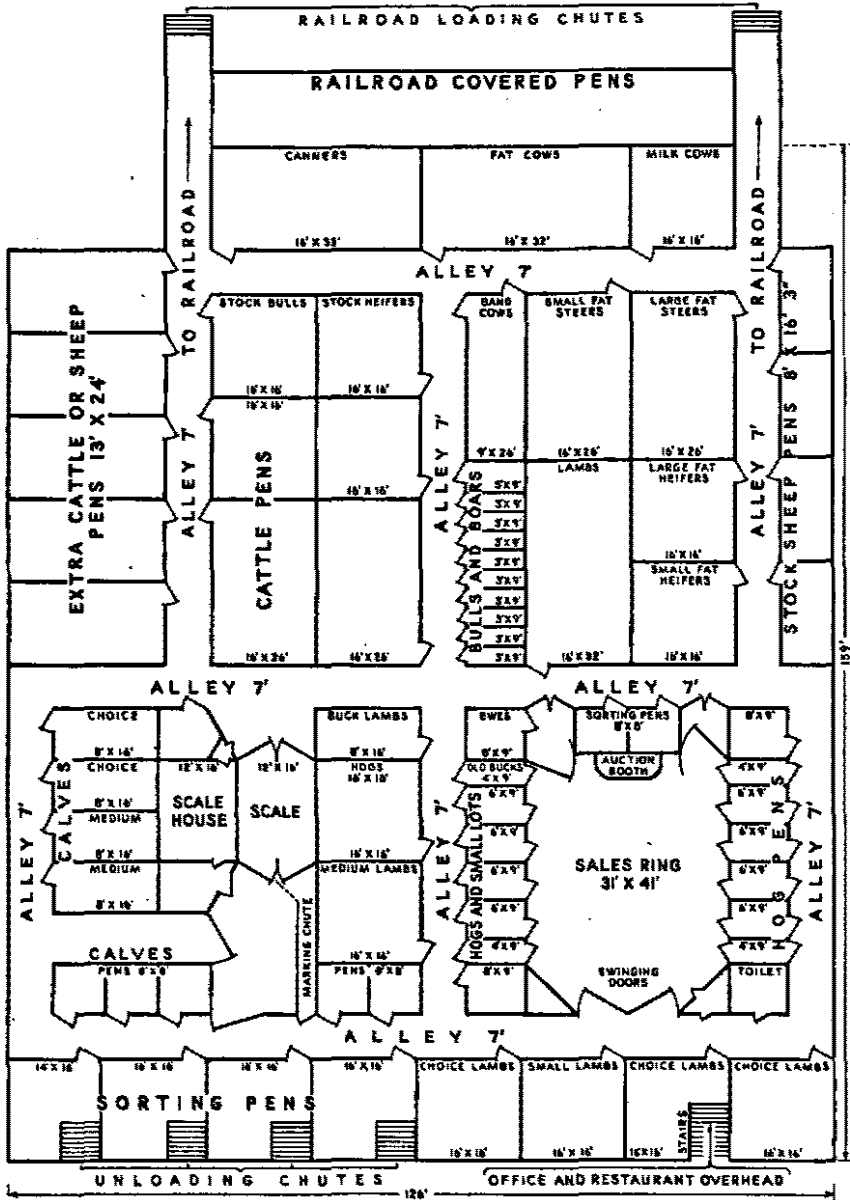


FIGURE 10.—FLOOR PLAN OF A WELL-ARRANGED AUCTION IN THE EAST CENTRAL SECTION.

This type of arrangement is best adapted to auctions that sell livestock on a sorted and "in weight" basis.

vary from a simple hurdle arrangement set up on the streets around a county courthouse to a complete, modern stockyard with pens, scales, and sales rings, all under cover.

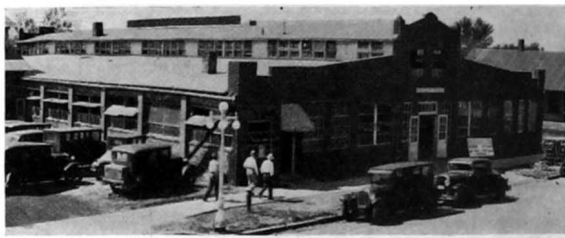


FIGURE 11.—A FORMER FACTORY BUILDING MADE INTO A SALES BARN.

In numerous places throughout the Middle West, old business buildings and factories have been converted into auction-sales barns.

Buildings

Although all sorts of facilities may be used for auctions, the modern sales barns show marked improvements over the older or remodeled facilities in the arrangement of pens, scales, and sales rings.

Newly constructed sales barns were used by 84 of the 180 auctions reporting, remodeled buildings by 89, and old facilities such as local railroad stockyards or old barns by 7. Worked-over buildings included garages, livery barns, horse-sales barns, purebred-sales pavilions, business and factory buildings, farm barns, and exhibit buildings located on county fair grounds.

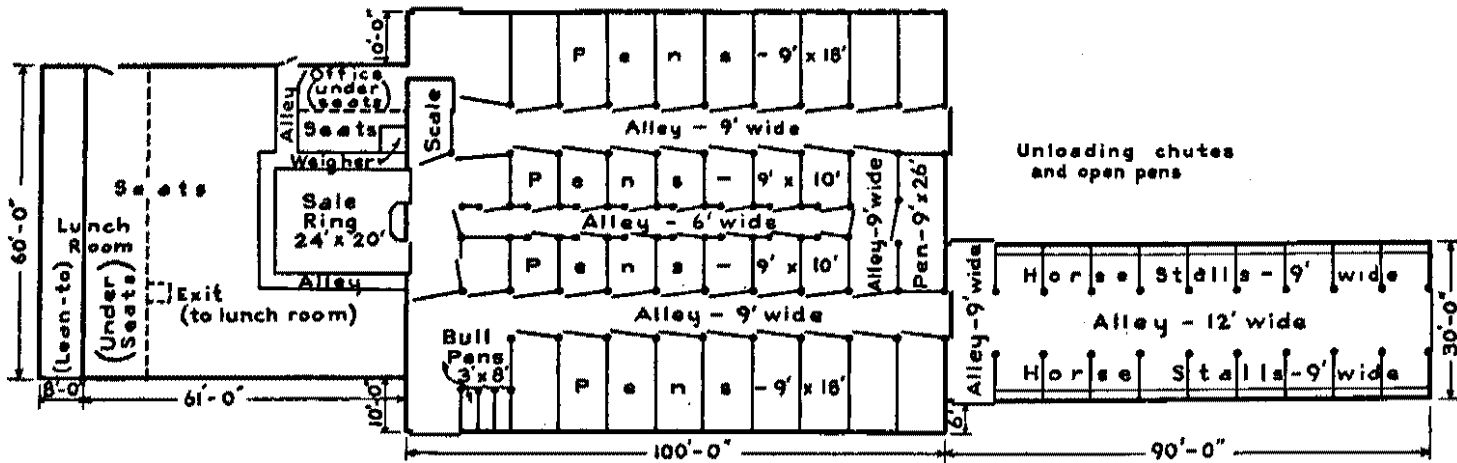
The modern sales barns vary in size and are circular, square, or oblong in shape. Some auctions have the sales ring, office, lunchroom, and inspection offices in separate buildings; others have them combined under one roof. Figure 9 shows a desirable type of livestock auction sales barn in Virginia. The floor plan of this barn, which is well arranged for auction purposes, is shown in figure 10.

In barns of this type the livestock, after being unloaded, is immediately sorted or graded before being run over the scales. For that reason scales are located close to the unloading chutes and not necessarily adjacent to the sales ring.

Another type of sales barn found in the Middle West is shown in figure 11. This kind of barn is suitable for handling all classes of livestock. It is compact and conveniently arranged with practically all the pens and the alleys under one roof. The floor plan for a modern Iowa sales barn is illustrated in figure 12.^{10a}

Under this plan of operation, livestock is not weighed until after it passes through the sales ring. While some sorting of the individual owner's stock is done prior to sale, most of the stock is sold on an individual-ownership basis. The sales ring is located at one end of

^{10a} See p. 297 of reference cited in footnote 4.



(Courtesy of The Iowa State College of Agriculture and Mechanic Arts.)

FIGURE 12.—FLOOR PLAN OF A MODERN MIDWESTERN SALES BARN.

This arrangement is best adapted to the sale of livestock on an individual "out weight" basis.



FIGURE 13.—SALES BARN AND YARDS IN ONE OF THE IRRIGATED SECTIONS OF THE WEST.

Thousands of feeder cattle move from range territory through these auctions into heavy feeding districts in irrigated areas each year.

the barn with the scales either directly behind or to one side of the ring, so that after the stock is sold it can be weighed immediately. At several sales visited, the weighmaster was located in the auction stand or at the side of the ring in sight of the spectators. In others the weighing was done just outside the sales ring.

Another type of sales barn and yard commonly found in the Western States is shown in figure 13. This set-up is well adapted for handling stocker and feeder cattle. Only the sales ring, office, and scales are under cover; most of the pens and alleys are in the open.

Sales Pavilions and Rings

The sales pavilion is the place in which livestock is displayed and offered for sale. Although it is frequently a part of the sales barn, it usually is shut off from the rest of the barn or yard and boarded up tight to keep out noise. Sometimes the sales pavilion is a separate building adjacent to the barn or yards. A few consist of merely a covered ring without sides. Covered sales pavilions and covered sales rings were provided by 93 percent of the 132 auctions reporting. Most of the 7 percent reporting uncovered rings were in California.

Some owners of pavilions provide for the comfort of buyers by installing a stove or furnace; others have no heat and the rings are drafty

and uncomfortable on cold days. At a few auctions large fans are provided during hot weather. Some have amplifiers to enable the crowd to hear the auctioneer more clearly. A number are well lighted with natural light, but most of them use strong spotlights hung over the auction ring, to make light uniform throughout the day.

The pavilions vary in shape and size; the most common ones are rectangular, from 25 to 40 feet wide by 40 to 60 feet long. Rings, however, may be square, rectangular, octagonal, or circular. Auctions that handle large numbers of horses and mules prefer rectangular sales rings; so the animals can be run back and forth, enabling buyers to judge their appearance in action. The most popular rings for handling other classes of livestock are smaller. The most common medium-sized rings are 20 by 40 feet, larger ones are frequently 30 by 60 feet. Many of the better-constructed sales rings are enclosed by heavy wire netting 4 to 5 feet high, supported by strong wooden or steel posts on which a framework of steel pipe or strong lumber is constructed (fig. 14). A desirable sales ring should be so built that the animals inside will be in full view of the farmers and buyers.

Although many auctions do not handle consignments of cattle in large lots, they should provide enough space for at least one carload. Western auctions handling large numbers of feeder cattle need larger sales rings than those in the Middle West and the East, where consignments are in smaller lots.

Seats are provided around the sales ring for prospective buyers, sellers, and others in attendance. Some auctions designate certain ringside seats for regular buyers and allow no one except the manager and the ring men in the sales ring (fig. 15). Others make no special provision for buyers but allow anyone inside the ring.



(Courtesy R. C. Ashby, University of Illinois.)

FIGURE 14.—A DESIRABLE TYPE OF SALES RING.

This type of sales pavilion allows spectators to see livestock at all times.



FSA Photo.

FIGURE 15.—RINGSIDE BUYERS' SEATS.

Some auctions provide special seats for regular buyers.

The reason given by some managers for allowing buyers in the ring is that buyers insist on handling the animals in order to make intelligent bids. Such a crowded condition, however, makes it impossible for all those attending the auction to get a good view of the livestock in the ring. This is especially objectionable because spectators who might be interested in buying livestock hesitate to bid on what they cannot see. Too many people in the sales ring cause danger also. At one auction a stockman was killed by a steer that stampeded and jammed him against the seats.

Well-arranged sales rings provide two gates, one for the livestock to enter and the other for it to leave the ring after the sale. The gate through which stock enters the ring is usually at the right of the auctioneer's booth, while the gate through which it leaves is at the left and is connected with the scale or the driveway. Some auction rings have stock enter at one end of the ring and leave at the opposite end.

Just outside the gate some auctions have a number of sorting or holding pens where stock is sorted by ownership or grade before entering the ring. This insures an uninterrupted movement of stock into the ring. At other auctions movable hurdle gates are provided so that stock may be separated in the ring, according to ownership or class.

Most modern auctions provide movable gates for stock to enter or leave the sales ring. These gates are operated by the clerk or the

weighman in the auction booth by means of a rope pulley or an electric push button. Some of the gates move up and down like those used on garages, but most of them swing in or out. Such equipment aids greatly in the swift movement of stock into and out of the sales ring. In some older remodeled auction rings, only one gate is provided. This arrangement tends to materially slow up the operations and is often the cause of confusion and mix-ups.

Auctioneer's Box or Booth

A great many auctions provide an elevated platform enclosed by a rough counter and located either at one end or on one side of the sales ring. This enables the auctioneer to see clearly the stock offered for sale as well as to follow the bids and bidders more quickly. Space is also provided for accommodation of one or two clerks, and, at some auctions, for the weighman.

Seating Capacity and Arrangement

Modern sales barns are equipped with rows of elevated seats arranged along three sides of the sales ring in the form of an amphitheater or auditorium. Sometimes ladders or narrow stairways lead to the back row of seats, permitting people to come and go without disturbing the auctioneer or the buyers. Some of the older or worked-over barns provide seats on only two sides of the ring and these are mostly planks laid on supports. A few auctions provide no seats at all.

Seating capacity of the auctions studied varied widely, from 150 to more than 1,000 persons. Information obtained from 48 auctions in Iowa shows that half of them had a seating capacity of less than 500 (table 10). At times, the attendance is greater than the capacity, as farmers take great interest in such sales.

TABLE 10.—SEATING CAPACITY AT 48 AUCTIONS, CLASSIFIED ACCORDING TO THE NUMBER OF PERSONS ACCOMMODATED

Seating capacity	Auctions studied	Percentage of total
	<i>Number</i>	<i>Percent</i>
100-299.....	6	12.5
300-499.....	18	37.5
500-699.....	6	12.5
700-899.....	12	25.0
900 or more.....	6	12.5
Total.....	48	100.0

Source of data: Thompson, Sam H., and Bjorka, Knute. COMMUNITY LIVESTOCK AUCTIONS IN IOWA. Iowa Agr. Expt. Sta. Bull. 376, 343 pp. illus., p. 200.

Scales

Scales for weighing livestock were provided by 135 of the 181 auctions studied. Only 14, however, had more than one scale, and this made it necessary at most auctions to weigh both single animals and large lots over the same scale. At several auctions where scales were provided only a limited portion, mostly fat stock, was weighed. Forty-six auctions located mostly in Missouri, Illinois, Kansas, and South Dakota reported no scales. At these all stock was sold by the head.

Of the total number of auctions studied, 135 reported 153 scales. Of these scales, 84 were equipped with full capacity type-registering weighbeams, which enable the weighman to stamp the weight on a ticket; but 50 scales required the weight to be recorded by the weigher. No statement was made regarding this requirement for the other 19 scales. Auctions using scales with type-registering weighbeams are the most satisfactory, as it is possible to supply both buyers and sellers with duplicate tickets which are stamped at the time of weighing.

A few auctions use the large-faced dial type of scale which makes it possible for patrons to see clearly the weight registered. Scales of this type are used extensively among the English auctions. Several large public stockyard companies in the United States are also using scales of this type, as illustrated in figure 16. In some ways they are preferable to the older type, but they have a more intricate mechanism which requires careful servicing.

Another type of scale used by some Georgia auctions, as well as at several public stockyard markets, is a regular beam scale with a large illuminated indicator attachment which shows by means of a pointer or indicator when the scale is in balance. For correct weight, the indicator should point exactly to zero. This type of scale is illustrated in figure 17.

Location of the scale is important for efficient handling of stock. In auctions that weigh and grade livestock upon arrival and sell on



FIGURE 16.—LARGE DIAL SCALE USED AT SOME PUBLIC STOCKYARDS. Scales of this type enable patrons to see the weight registered, but they require careful servicing.

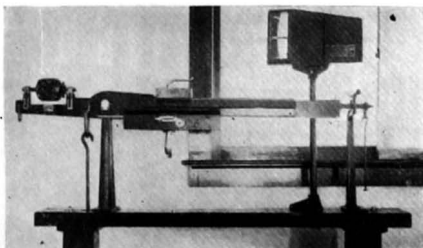


FIGURE 17.—TYPE OF INDICATOR SCALE USED BY SOME AUCTIONS IN SOUTHERN STATES.

Pointer in the indicator attachment shows when scale beam is balanced.

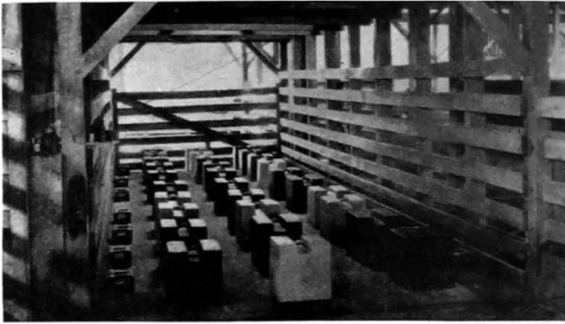
the basis of in-weight, the scales are located near the unloading chutes while those that sell on an out-weight basis are usually located adjacent or close to the auction ring.

Reports on 109 auctions indicate that the age of the scales ranged from less than 5 years to more than 20 years. Approximately 57 percent of the total had new scales; that is, less than 5 years old; 15 percent had scales in use from 5 to 9 years; and 14 percent, scales 10 to 14 years old. Altogether nearly 15 percent of the total auctions reporting had scales more than 15 years old.

On appraisal of the condition of the scales at 125 auctions, the ratings were 4 percent excellent, 80 percent good, 14 percent fair, and 2 percent poor. Approximately 84 percent of 131 auctions reported scales under cover, and 16 percent uncovered. Scales should be under cover, since it is difficult to keep them accurate when parts are corroded with rust.

One of the most important essentials in operating an auction market is correct and honest weights. In order to assure patrons of the accuracy of weights, scales used for public weighing should be frequently serviced and tested by a competent and reliable scale mechanic. Reports from 112 auctions indicate that at least 8 different agencies test scales. These include Federal, State, county, and city departments, railroads, scale companies, sugar-beet companies, and scale-inspection associations. Frequency of testing, as reported by 77 auctions, varies widely. More than 40 percent reported annual testing, 35 percent semiannual; 16 percent tested every 3 months, and less than 4 percent monthly. Others tested at irregular intervals.

The majority of the auctions in the Middle West reported the use of test loads of 5,000 pounds and less. The larger auctions, most of them under Federal inspection, used weights of 10,000 to 20,000 pounds. Some auctions used test weights as low as 50 pounds.



(Courtesy of the Packers and Stockyards Division.)

FIGURE 18.—METHOD OF TESTING SCALES AT PUBLIC MARKETS BY THE PACKERS AND STOCKYARDS DIVISION OF THE UNITED STATES DEPARTMENT OF AGRICULTURE.

Determination of accuracy of scales involves testing at various loads, usually at 1,000-pound steps, up to the maximum load at which the scale is used.

To determine correctly the accuracy of a scale, standard-test weights up to the capacity at which it is used should be applied in different positions on the scale platform. Experience shows that the accuracy of a scale for a heavy load cannot be safely deduced from tests made with lighter loads and that a scale may be accurate for a load in one position or corner and inaccurate when the load is placed at some other point on the scale platform. Proper scale-testing equipment consists of 1,000 or 2,000 pounds of 50-pound weights, 50 or 60 pounds of assorted small weights, and a sufficient number of 1,000-pound, cast-iron, standard weights to test the scales up to the capacity at which they are used. Figure 18 shows the method used by the Packers and Stockyards Division of the United States Department of Agriculture in testing scales.¹¹

Pens and Alleys

The number, size, type, condition, and arrangement of pens and alleys vary to some extent according to section. Most of the auctions in the Middle West and East, where all classes of stock are sold throughout the year, have covered pens. All pens were covered at 63 percent of the 158 auctions reporting.

Auctions located in Nebraska, Colorado, and Montana maintain most of their pens without cover. These auctions handle cattle mostly during the fall. California auctions usually have open pens. Several Missouri auctions use simple hurdle pens set up in the streets

¹¹ U. S. Department of Agriculture. *YEARBOOK OF AGRICULTURE, 1928.* pp. 434-438.

around the courthouse square. Some auctions use covered pens for small stock and open lots for cattle.

Covered pens not only enable the prospective buyer to examine the stock easily during bad weather, but livestock in such pens is likely to shrink less and make a better appearance in bad weather than that yarded in uncovered pens.

Danger from disease and lack of sanitation are disadvantages of covered pens within a building. Unless they are constructed with concrete or hard-surfaced floors, it is difficult to clean and disinfect them thoroughly. Open pens have the advantages of sun, light, and air.

The number of pens varies, not only with the size of the auction, but also with the kind of stock received and the methods of handling. Auctions where most of the stock is sorted into graded pools or lots, require fewer small pens than those where each owner's stock is sold separately. Likewise auctions which specialize in feeder cattle usually handle them in larger lots and require fewer small pens.

The average number of pens reported by 158 auctions was 92. Fifty-one percent of these auctions had from 50 to 99 pens, 23 percent less than 50 pens, 15 percent 100 to 149 pens, and 11 percent 150 or more.

Seventy-one percent of the 147 auctions reporting had dirt, cinder, or gravel floors, while 29 percent were hard-surfaced. The condition of the pens, however, was fairly good. Examination of 167 auctions showed that the sanitation and other conditions of pens were good at 57 percent of these auctions, and fair to poor at 43 percent. If the spread of disease is to be kept down, floors should be constructed of hard-surfaced material, and the premises cleaned and disinfected after every sale.

Daily Volume and Yard Capacity

The size and capacity of livestock auction facilities vary greatly with locality and nature of business handled. To give some idea of the average sales-day capacity of the various auction agencies, an analysis of data obtained from 172 auctions reporting is summarized in table 11.

More than 65 percent of the auctions studied reported facilities with a capacity of less than 2,000 head of stock. Only 11 percent of the auctions reported yard capacities of 4,000 head or more. The largest auctions handled about 15,000 head of stock.

Most of the small-sized auctions studied were located in the Midwestern farming States of Iowa, Illinois, Kansas, Missouri, and Michigan. The larger auctions, with the exception of those in Kentucky and Virginia, were cattle auctions in the Western States of Nebraska, South Dakota, and Montana. The auctions with average

capacities of from 2,000 to 3,000 head were located mostly in Ohio and Virginia. Kentucky reported the largest average yard capacity approximately 10,000 head. These auctions handle a large volume of slaughter stock, running heavy to fat lambs and hogs.

TABLE 11.—CAPACITY OF YARDS AT 172 AUCTION MARKETS

Capacity of yards (head)	Auctions reporting	Percentage of total
	<i>Number</i>	<i>Percent</i>
Less than 1,000.....	41	23.8
1,000-1,499.....	42	24.4
1,500-1,999.....	30	17.4
2,000-2,499.....	23	13.3
2,500-2,999.....	11	6.4
3,000-3,499.....	3	1.8
3,500-3,999.....	3	1.8
4,000-4,499.....	5	2.9
4,500-4,999.....	3	1.8
5,000 or more.....	11	6.4
Total.....	172	100.0

Source of data: Compiled from information obtained from auction operators.

Cost of Facilities

The amount of money invested in auction facilities in the United States is a substantial sum. Total cost of facilities reported by 116 auctions in 1937 was \$852,048, an average of \$7,345 per auction. The investment per auction varies widely, ranging from a few hundred dollars for movable hurdles to \$90,000 invested in a large modern auction yard with 10 acres of land. Table 12 shows the number and percentage of auctions classified as to value of facilities.

TABLE 12.—AUCTION MARKETS OWNED ENTIRELY BY 79 OPERATORS, CLASSIFIED ACCORDING TO COST OF FACILITIES, 1937

Cost of facilities	Auctions reporting	Percentage of total
	<i>Number</i>	<i>Percent</i>
Less than \$3,000.....	9	11.4
\$3,000-\$5,999.....	28	35.5
\$6,000-\$8,999.....	17	21.5
\$9,000-\$11,999.....	12	15.2
\$12,000-\$14,999.....	3	3.8
\$15,000-\$17,999.....	5	6.3
\$18,000 or more.....	5	6.3
Total.....	79	100.0

¹ Five other operators owned facilities but did not state the cost.

Source of data: Compiled from information obtained from auction operators.

TABLE 13.—ESTIMATED COST OF FACILITIES OWNED BY 116 AUCTION OPERATORS, BY STATES, 1937

State	Facilities entirely owned			Facilities partly owned			All facilities		
	Auctions reporting	Cost		Auctions reporting	Cost		Auctions reporting	Cost	
		Total	Average per auction		Total	Average per auction		Total	Average per auction
	Number	Dollars	Dollars	Number	Dollars	Dollars	Number	Dollars	Dollars
California.....	1	3, 000	3, 000	1 5	2, 000	400	6	5, 000	833
Colorado.....	7	53, 500	7, 643				7	53, 500	7, 643
Georgia.....	8	44, 857	5, 607				8	44, 857	5, 607
Illinois.....	7	37, 800	5, 400	3	8, 500	2, 833	10	46, 300	4, 630
Iowa.....	24	166, 990	6, 958	10	48, 550	4, 855	34	215, 540	6, 339
Kansas.....	10	57, 750	5, 775	3	26, 600	8, 867	13	84, 350	6, 488
Kentucky.....	1	20, 000	20, 000				1	20, 000	20, 000
Michigan.....	4	39, 800	9, 950	5	33, 800	6, 760	9	73, 600	8, 178
Missouri.....	1	200	200	3	2, 500	833	4	2, 700	675
Montana.....	1	30, 000	30, 000				1	30, 000	30, 000
Nebraska.....	4	114, 751	28, 688	1	7, 500	7, 500	5	122, 251	24, 450
Ohio.....	2	27, 500	13, 750	3	37, 000	12, 333	5	64, 500	12, 900
South Dakota.....	3	23, 000	7, 667				3	23, 000	7, 667
Virginia.....	6	42, 450	7, 075	4	24, 000	6, 000	10	66, 450	6, 645
Total or average.....	1 79	661, 598	8, 375	1 37	190, 450	5, 147	116	852, 048	7, 345

¹ 1 association owns 5 auctions.

⁵ 5 other auctions own their facilities but did not state cost. They are located as follows: 1 each in Iowa, Missouri, and South Dakota, and 2 in Colorado.

⁸ 8 other auctions own a part of their facilities but did not state cost. They are located as follows: 1 each in Kansas, Michigan, and Virginia, 2 in Illinois, and 3 in Missouri.

Source of data: Compiled from information obtained from auction operators.

Not all auction companies own their facilities. Reports from 179 auctions indicate that 72 percent operated facilities which were wholly or partly owned by the operators, whereas 28 percent leased facilities from railroads, county fair associations, or private parties.

The operators, at 65 percent of the 129 auctions where facilities were owned, were sole owners. At the other 35 percent they were partial owners. Table 13 shows that the average cost of facilities for 79 auctions owned entirely by the operator was \$8,375 per auction, while 37 partially owned auctions averaged \$5,147. The combined average of entirely and partially owned auctions was \$7,345 per auction.

Stated annual rentals were paid by 87 percent of the auctions which leased facilities, while 13 percent based their rentals on amount of sales. Auctions that leased all their facilities paid an average rental of approximately \$670 annually, while those that leased only a part of their facilities averaged about \$250 a year.

Operating Methods

Soliciting Business

VARIOUS methods are employed by auction owners and operators to obtain livestock. An auction operator usually will make an effort to get farmers to consign livestock to the auction. Failing in this, he may buy the stock and run it through the ring as his own. Most auction operators buy livestock, either at the auction or in the country. Some operators guarantee fixed prices to well-known stockmen in order to have the prestige of selling their livestock.

As a rule, the auction operator or his representative is present at the sale. He usually spends the day following the sale in the office sending out bills to buyers and account sales and checks to consignors. He is then free to solicit consignments or to make purchases for delivery to the next week's auction.

Practically all auctions employ some form of publicity to sell their program and their service to farmers. Only 9 out of 171 auctions reported that they used no form of publicity. More than 90 percent used newspapers, 29 percent the radio, and 32 percent letters or price cards. Most of them used combinations of several publicity mediums. The most common were newspapers, letters, and price cards; the next in importance, newspapers and radio.

Market reports usually carry information as to prices received at the last auction as well as news of outstanding sales. The volume and character of the stock sold is sometimes noted. A few auctions quote sales and prices on a grade and weight basis, but most of the reports

are so general as to be of limited value. Top sales noted are often for only a few head of stock and so are misleading.

No uniform method of quoting prices is followed by auctions, and this makes it difficult for producers to compare prices either with those obtained through other auctions or with those prevailing at terminal markets.

All information on market prices is supplied by the auction management and not by disinterested parties, such as Federal or State market news reporters or market papers, as at the leading terminal markets.

Frequency of Sales

Practically all auctions hold only one sale a week. Of 178 auctions reporting, 168 held 1 sale a week, 3 held 2 sales a week, 6 held 1 sale every 2 weeks, and 1 held monthly sales. The most popular days for regular weekly sales were from Tuesday to Friday, Wednesday being the most popular day and Monday the least popular.

While the opening hour for sales ranged from 8 o'clock in the morning to 3 o'clock in the afternoon, more than 64 percent of the sales started between noon and 1:30 p. m.

The date set for the sale usually is dependent on the sale dates of other auctions in nearby territory. Operators know that competition among buyers is necessary for a satisfactory sale. For that reason, they arrange sale days so that buyers can move from one auction to another.

Receiving and Handling

Most of the livestock is received only on the day of sale. In the fall and winter months, livestock usually is delivered a short time before the sale begins. At some auctions, however, the stock keeps coming in while the sale is in progress.

Approximately 66 percent of the auctions surveyed reported that they received livestock on days other than the date of the auction; 22 percent that, as a rule, they received stock only on a sales day; and 12 percent that they received no livestock except on the day of sale.

When stock arrives before the sales day, it is fed and cared for by the auction company until sale time. Stock, particularly hogs and feeder cattle, may be brought in the evening before or early in the morning of the sales day when long truck hauls during hot weather months are necessary.

The most common method of receiving stock is for the operator at the unloading dock to write the name of the owner, the number and kind of stock, and a description of it in a "dock" or chute book. When stock is sold on an individual-ownership basis, each owner's

stock is given a definite number (fig. 19). The number may be printed on a metal tag clipped in the ear of the animal or a printed or painted number may be placed on the back or rump of the stock (fig. 20). In some cases, metal tags with numbers are fastened to the horns of the animals or tied around their necks. In most cases, each owner's stock carries a specific number and a record is kept of the pen or pens where the animals are yarded.

The system of marking by pasting or painting numbers on the bodies of the animals is not popular in many sections. A purchaser may buy stock with the intention of trucking it to a terminal market or to a packer and he realizes that the buyers will know that animals so marked are likely to be auction stock and, therefore, not fresh. Some auctions use tags fastened through the ears by clips.

Sorting and Grading

Livestock was sorted for market class at all the auctions studied, and each class of stock was sold separately. For example, if a farmer brought in a mixed load of hogs, the pigs and packer sows would be sorted from the butcher hogs. Likewise, the cattle, calves, heifers, cows, bulls, and steers are sold separately; and the lambs and the ewes. Butcher hogs, calves, and lambs were usually sorted on a weight basis. Butcher hogs were usually sorted into two weight groups; the light butchers in one group and the medium and the



(FSA Photo).

FIGURE 19.—RECEIVING CATTLE AT A LOCAL AUCTION MARKET.

Each owner's stock is listed upon arrival and given a definite number before it is sold.



FIGURE 20.—ONE OF THE METHODS OF MARKING CATTLE.

When cattle are sold on an individual-ownership basis, numbers such as these are sometimes used.

heavy butchers together classed as the second weight group. In some instances hogs were sorted into three weight groups—light, medium, and heavy butchers (fig. 21).

In some States sorting is more carefully done and an attempt is made to grade calves, hogs, and lambs. The study shows that most of the sorting and grading is done in Ohio, Virginia, Kentucky, and California, with limited grading in Michigan and Georgia. In the Kentucky and some of the Virginia auctions, lambs are sorted on a weight-and-grade basis and are sold in pooled lots. California auctions sort hogs on a weight-and-grade basis and sell them in pooled lots.

In general, the larger and older auctions, especially in Kentucky, Virginia, Ohio, and California, grade their livestock. Auctions in Georgia, California, Ohio, and Kentucky use the greatest number of hog grades, while Kentucky, Ohio, and Virginia use more grades of lambs and calves than other States. Table 14 shows the number of auctions reporting in the various States and the number of grades in the different species.

Grading is done by employees at 63 percent of these auctions, by the manager, his partner, or the assistant manager at approximately 33 percent, and by other persons at 4 percent.¹²

¹² One Virginia auction engaged the services of the State Division of Markets to grade lambs in 1937. In 1938, this service had been extended to 8 auctions and at several of these sales, veals and fat hogs were graded in addition to lambs.



(FSA Photo).

FIGURE 21.—SORTING HOGS BEFORE THE SALE.

It is desirable to sort hogs as to grade and quality before sale at auction.

Consignors usually will profit by having their livestock graded before sale. Managers of 79 of the 99 auctions reporting stated that patrons preferred to have their livestock sorted or graded, while 14 felt that grading was undesirable. Nearly 85 percent of the managers felt that buyers preferred to have the stock graded before it was offered for sale, while 10 percent did not favor grading. Only a few managers were positive that neither patrons nor buyers wanted their stock graded. Regardless of the favorable attitude shown by operators and producers it was observed that only a limited number of auctions attempted to grade livestock systematically.

TABLE 14.—AVERAGE NUMBER OF GRADES AND KINDS OF LIVESTOCK GRADED IN 6 STATES, 1938

State	Calves		Hogs		Lambs	
	Auctions reporting	Number of grades used	Auctions reporting	Number of grades used	Auctions reporting	Number of grades used
California	-----	-----	6	6	-----	-----
Georgia	-----	-----	12	8	-----	-----
Kentucky	6	4	6	6	6	10
Michigan	3	4	3	4	6	3
Ohio	4	5	5	6	6	6
Virginia	11	6	10	4	10	4

Source of data: Compiled from information obtained from auction operators.

Replies from 226 producers indicated that 90 percent were satisfied with the classing and grading at auctions, while 5 percent were partially satisfied, and 5 percent definitely dissatisfied.

Selling livestock in graded and pooled lots has advantages. Under this system, buyers are sure of receiving livestock of uniform quality and weight, and bids can be made by wire or by telephone. This should reduce the cost of purchases by packers and others and, at the same time, build up confidence in the auction method of sale.

Selling Methods

Auctions such as farm sales, community fairs, sheriff sales, purebred sales, horse sales, and merchandise sales have been operating for many years and are well known. These sales follow certain lines; namely, articles to be sold are put up by the auctioneer, bidding is public, and the highest bidder receives the article. Present-day livestock auctions are simply an adaptation of this system.

At some auctions, stock is sold directly from the pens and the crowd of buyers and spectators follows the auctioneer from pen to pen during the sale. At a number of sales in Michigan, stock pigs are auctioned off in trucks without being unloaded. But in most cases, the selling takes place in the sales ring of the auction barn. At an appointed time a bell is rung and the auctioneer, ringmen, clerks, yardmen, and weigher take their places and the buyers, sellers, and spectators occupy the seats around the sales ring. Usually the auctioneer or manager makes a brief statement as to the terms of sale and the methods of conducting the sale. Next, the first animal or group of animals is brought into the ring and the auctioneer then calls for bids.

After the bidding has started, the ringmen—assistants to the auctioneer—move about a given section of the ring, repeating the last bid, and endeavor to induce someone to raise it. Several methods are used by bidders to indicate their willingness to raise the price. Some buyers call out their bids, others simply raise a hand or a finger, nod their heads, or raise their eyebrows. Bids may be caught by the auctioneer or by the ringmen, who quickly relay them to the auctioneer. This performance goes on until the stock is sold. Figure 22 shows a livestock auction in action.

The mechanics of handling stock through the sales ring varies with auctions. At approximately 48 percent of the auctions studied, each consignment of stock is sold individually. At 30 percent it is optional with the consignor whether or not the stock is sold individually. At 22 percent of the auctions consignments are sold both individually and in pooled lots.

At some auctions, such as those in Virginia where stock is weighed in before sale, the clerk is furnished with a listing sheet giving the



FIGURE 22.—LIVESTOCK AUCTION IN ACTION.

Thousands of head of livestock are sold annually at local auctions similar to this.

name of the consignor, the lot number, the pen number, a brief description of the stock, and the weight. Information as to weight and other descriptive material is announced to the buyers either by the auctioneer or by the clerk of the sale.

Where livestock is graded and weighed into pooled lots prior to sale, as is the common practice in Kentucky, buyers may be furnished with a "Buyers' Sheet" which lists the pen number, number of head, grade, and average weight of the stock offered for sale.

At midwestern auctions, where livestock is sold almost entirely on an individual ownership basis, the following method is commonly used: When the stock is brought into the ring, it is accompanied by a card giving the name of the consignor, the lot number assigned upon arrival, the number of the pen from which the stock came, and additional descriptive information. This card is given to the auctioneer and is recorded by the clerk of sale. After the stock is sold, the clerk adds the name of the buyer and the price paid to the card which accompanies the animal and to his own record. The original yard card is then returned to the yardman and after the stock has been weighed, if sold by weight, the listing clerk forwards the complete transaction to the settling clerk.

At some auctions, duplicate copies of the sales slip are prepared, one of which is handed to the buyer by the ringman. At auctions where stock is sold on an in-weight basis or at those where stock is sold by the head, a complete transaction can be recorded by the clerk as soon as the price is determined.

After leaving the sales ring, the stock is run over the scales and is usually driven back into the pen from which it came. Where stock is

sold by the head or on an in-weight basis, it moves directly from the sales ring into designated pens. In the case of large regular buyers, certain designated pens are used for the yarding of their purchases.

All livestock is sold on a head basis at approximately 28 percent of 180 auctions reporting. The remainder of the auctions, with few exceptions, sell on a combined weight and head basis. In general, it can be stated that at auctions where both methods of selling are employed, milk cows, pigs, and horses are nearly always sold on a head basis. At a number of auctions, light calves, stocker and feeder cattle, and all breeding stock are sold on a head basis.

In Illinois, Missouri, and South Dakota practically all auctions sold all livestock on a head basis. The operators give two principal reasons for selling by head. First, they maintain that it saves time and expense; second, many buyers, particularly farmers, have only a fixed amount to spend in buying animals at auction. They may not trust their judgment on weight sufficiently to bid as high as they ordinarily would for fear they may not have money enough to make the purchase.

From observations and inquiry among buyers and sellers, it is apparent that selling or buying livestock by the head generally works to the advantage of the trained buyer or trader rather than the producer. It is an easy way for a dealer to take advantage of an inexperienced farmer. Selling by weight puts the transaction on a business basis rather than a basis of chance.

Order of Sale

At the majority of the auctions studied, either hogs or horses were sold first, sheep or calves next, and cattle last. In the case of cattle, dairy cows and bulls came first, with feeder cattle next and butcher stock last.

Figures show that slaughter hogs are sold first in 35 percent of the auctions; horses in 30 percent; veal calves in 9 percent; breeder, feeder, and dairy stock going back to the country in 8 percent; slaughter cattle in 5 percent, and sheep in 2 percent. At other auctions, the order of sale varies from time to time.

Apparently, the auctions in determining the order of sale of livestock consider the wishes of their patrons and buyers. Typical reasons given, for example, in giving hogs priority in sale, are that it is a "convenience to farmers" or an "accommodation to buyers." In several instances, it was done to enable buyers to meet train schedules. Shrinkage is also a factor which causes some managers to sell hogs first. At another auction where hogs ranked first in order of sale the manager explained that this arrangement was to permit them to be vaccinated.

When horses were sold first, auctions likewise gave convenience to farmers and to buyers as their principal reasons. In addition to these reasons, some of the auctions stated that horses are sold first so that it would be possible to hitch and try them out early in the sale.

Over 72 percent of the auctions studied reported the same order of sale year in and year out. At some sales, however, the order varies. Switching the order of sale is not a good practice. When the order remains the same, consignors and buyers know when each particular kind of stock will be sold. At some auctions the order of sale has been switched for the convenience of traders, so that they can purchase certain classes of stock without too much competition from farmers. In other cases, the order is varied so that the management can run its own or traders' stock in when the bidding is active.

Handling Bids

Bidding practices vary among auctions and among auctioneers. At some auctions, after the auctioneer asks for bids, and none are forthcoming, he may suggest the first bid and if this is not accepted, he may lower his suggested bid one or more times until someone in the audience bids higher. This constitutes an authentic bid and the auctioneer proceeds to obtain higher bids from other buyers. Some auctioneers follow the practice of starting their bids high and dropping the price until it is accepted, while others endeavor to start the bids at a little under or at about the price they think the stock will bring. In a few cases, the initial bid may constitute a sale.

At 28 percent of the auctions studied, bidding is started by auctioneers, at 16 percent by buyers, at 11 percent by managers, and at 10 percent by ringmen. At the remaining auctions the starting of bids varies. The principal reason given by auctioneers for starting the bidding on livestock themselves, instead of having the buyers start the bids, is to save time and prevent a slow dragging out of the bidding. They feel that brisk bidding helps to insure that the livestock will be sold at a price near what they consider its value. When using this practice the auctioneer, the manager, or the ringman starting the bid must necessarily be a good judge of market values.

In actual practice, auctioneers frequently start the bids too high and have to back down and start over again. At some auctions when this occurs the stock is knocked down to one of the owners or managers and resold later in the sale or at another sale.

Bybidding

Bybidding is an effort on the part of the livestock consignor or the auction owner or operator to bid on his own stock so as to run up the price, to bid in the stock in case it does not bring what the owner

wants, or otherwise to prevent the stock from selling at an unacceptable price. In some cases, the owner may not bid on his own stock but has another person to handle the bybidding for him.

At several auctions, instead of having the stock bid in, the owner has the right to call "no sale" when it appears that the selling price will be unsatisfactory. At a few auctions the standing rule requires that the bybidder or consignor who refuses the price must pay a nominal forfeit fee to the runner up or next highest bidder on the stock. This is done to discourage bybidding by consignors simply for the purpose of estimating the value of the stock. Some auctions allow the consignor to name his lowest price. This information is given to the clerk of the sale and, if the price bid is less than the minimum, the clerk so advises the auctioneer and no sale is made.

Bybids were permitted at more than half of the auctions studied. At 23 percent of them, the owner could refuse to take the price offered while at 8 percent the owner was allowed only one bid. In 17 percent of the auctions no bybidding was permitted.

The practice of many auctions in permitting traders to act as ringmen is unsatisfactory as it allows these men to bid on their own stock while apparently they are securing and calling to the auctioneer bona-fide bids from other buyers. Only a few farmers take their livestock back home from an auction. Most of the bybidding and refusal of sale is done by traders and auction operators.

While bybidding is generally considered one of the most undesirable features of auction selling, it is hard to stamp out. In the present stage of auction development many producers do not feel safe in consigning their stock without such a safeguard.

Misrepresentation of Livestock

Cows and horses are frequently misrepresented at auction sales. The practice of running a little calf with a supposedly fresh milk cow just long enough to make it appear that the calf belongs to the cow is followed by some auctions. Observers were also told of cases in which dealers filled cows with salt or with salt and sugar solutions before the sale. One farmer lost 14 cows he had purchased at an auction which had been handled in this manner. In other instances, the auctioneer may announce that a skinny old mare is 6 or 7 years old and safely in foal, when in reality the mare may be much older and may not have dropped a colt for years.

At a number of the auctions, however, the manager or auctioneer, made statements indicating the condition of the animal offered for sale, and such warning phrases as "at the halter," and "as is," were used. In other instances, fairly definite statements were furnished

by the consignor or auction operator as to age, condition, and performance of the animal offered for sale.

Announcing Prices and Names of Buyers and Consignors

At more than 90 percent of the auctions studied, the sales price for livestock is announced. At several auctions in Kentucky a large blackboard is placed at one side of the sales ring and each sale of graded lambs, veal calves, or hogs is recorded thereon, with the number of the pen, number of head, average weight, and selling price per 100 pounds.

At approximately two-thirds of the auctions, the names of all buyers were announced, at 28 percent part of the names, and at about 6 percent no names. When no announcement of the name of the buyer is made, farmers and others attending the auction are likely to conclude that the stock has been purchased by someone connected with the management or by dealers favored by the auctioneer. Sometimes buyers do not want their names announced. This is true of some small local butchers who buy low-grade stock for their meat markets.

Some auctioneers announce the names of consignors, especially if the stock is of good quality and consigned by a farmer or breeder well known to the buyers and patrons. Auctioneers do not, as a rule, mention the consignor's name if he is a trader or if he is associated with the auction. In a few instances, however, the manager did announce that stock offered for sale belonged to him.

At a few auctions in Iowa, Colorado, and Montana the name of the consignor was recorded on a card posted on the pen containing the livestock to be sold. By making note of the pen number and description of the stock, the prospective buyer was in a position to know the ownership of the stock when it came into the sales ring. Posting the names of consignors tends to create confidence among prospective buyers.

Maintaining Prices

In interviewing auction owners and operators, it was learned that at about 63 percent of the auctions the management placed bids and, when necessary, purchased livestock to maintain prices at the auctions. In 29 percent of the cases, the management did not support the price level. These auctions relied on competition to maintain fair prices at the sales. At two auctions, partners operated individually to maintain prices, but, according to their statements, the auction itself took no title to livestock.

Many times, with bad weather and falling markets, buyers will curtail operations. This happened during the sharp decline in prices in the fall of 1937. Occasionally, only one buyer would show up for a

sale and the auction owner, to protect prices and the interest of the shippers, had to buy on his own account several hundred head of livestock.

Giving livestock a good work-out.—While it was difficult to ascertain whether stock sold is given a fair and thorough work-out by the auctioneer, the opinion of observers at 106 auction sales indicates that this was done at 70 percent of the sales. However, in a number of cases replies were modified by such remarks as “apparently” and “apparently, although the auctioneer worked harder on some than on others.” Several observers reported that livestock was sold too fast and, in a few instances, that it was not given a thorough work-out before sale.

At some auctions it was noted that five or six drafts were sold per minute. Where this is done, it is almost impossible for the auctioneer to give the livestock a thorough work-out. When selling so rapidly, many farmers do not follow the bids. At some auctions buyers will gather around the auctioneer and wink their eyes or signal with their hands instead of calling their bids. It is difficult to follow the bidding under these circumstances. Selling livestock too soon not only gives farmers the impression that the stock is not receiving a thorough work-out, but that it is being sold to a friend of the auctioneer or to the auction operator.

It was a common occurrence to hear the auctioneer cry “sorry” indicating that someone who was trying had failed to get in his bid on stock. At several auctions, opening bids by ringmen, managers, or auctioneers were made so close to the sales price that other bidders could make only one or two bids. Observers reported that at some sales auctioneers would knock off stock quickly to regular packer and trader buyers, but that, if farmers started to bid, they would exert more time and effort to make the stock bring the highest price.

Resale of Livestock

Some auction operators and auctioneers make a practice of keeping a jack pot of mixed animals of different classes and grades. The auctioneer crying the sale will sell a cheap calf to the owners of the jack pot, then when the bidding is active for that kind of stock they will bring this calf back into the ring and resell it at a higher price.

It is also the practice at some sales to keep “floater” or counterfeit animals which are sold for traders to farmers. When producers are dissatisfied because their purchases have proved unsatisfactory, they sell to traders and they, in turn, unload these floater animals on unsuspecting farmers at later sales. There is a record of one span of mares that was sold through an auction five times during one season. In

another instance, a thin heifer was sold four times through the same auction within 6 weeks, each sale being made on a different auction day.

Livestock may pass through several auctions before being finally shipped to a terminal market, to a packing plant, or sold at a local market. Traders often move stock from one auction to another, bidding it in until some farmer bids more for the stale livestock than it is worth. The bad feature of this practice is that in many cases the inexperienced farmer finds himself in possession of stale or sick livestock which may die on his hands or which may be in such a condition that it will not develop into thrifty animals and make good gains.

Guarantees

At 122 of 143 auctions reporting, limited voluntary guarantees on certain kinds of livestock such as horses and milk cows, and in some instances breeder stock, were made by consignors. At only a limited number of these sales, however, was there any definite warranty or guarantee made by the management on livestock sold. A notice, such as is posted by some auctions, stating that no guarantee is made by the management, is shown in figure 23. When livestock is guaranteed, the management usually holds up payment of the money for a limited time before settling with the consignor.

At auctions in Iowa, "A representative of the auction company usually examines the animals in the sale ring, or before the sale opens, and reports his findings, the auction company being responsible for the accuracy."¹³

Selling by Private Treaty

Selling livestock by private treaty before the sale starts is a common practice. In fact, at more than 88 percent of the 174 auctions reporting, buyers were permitted to purchase stock before the sale started. Only 20 auctions did not permit selling before the sale. At 8 auctions the management indicated that, although this method of selling was practiced, it was discouraged.

Only 81 of the 154 auctions that reported selling livestock before the sale opened made statements regarding commissions charged. Seventy-nine auctions required the consignor to pay the same selling commission as if his stock had gone through the auction, while two reported that no commissions at all were charged on outside sales.

At a number of auctions livestock was sold privately after the sale. These sales were made to buyers who were unable to fill out a load at the auction and by sellers who were willing to sell at the price offered at the auction, or slightly under, rather than move stock back to the farm.

¹³ See p. 320 of reference cited in footnote 4.

_____ **COMMUNITY SALES**
Terms and Conditions

1. The management acts only as selling agent for the seller and will not be responsible for any loss of, or damage to, property (sold or to be sold) from any cause whatsoever.
2. After livestock, or other property, has been sold and charged by the clerk to the successful bidder, the buyer must pay for same, and no claims will be recognized for loss or damage, short count or short weight, theft or disappearance.
3. Claims for false representations of horses, mules, or other livestock must be made to _____ manager, before the sale is over.
4. The management will not be responsible for false claims or representations made by any owner of livestock or other property nor for ownership of any property offered for sale.

**Terms—Cash, During or Immediately
After the Sale**

_____ **COMMUNITY SALE**

FIGURE 23.—TYPICAL NOTICE POSTED AT AUCTIONS.

Many auctions assume no liability for livestock handled at their sales,

Selling before the sale starts has some disadvantages. Often the farmer is not fully advised as to the grade and value of his stock. In this event a shrewd trader may take advantage of him and buy the stock for less than its value. Numerous instances were observed and reported in which farmers sold livestock for considerably less than it brought later at the auction.

Buying Practices

Auctioneers and auction operators often purchase livestock for their own account. This is one of the most commonly criticized buying practices.

By auctioneers.—Some buying by auctioneers was reported at 48 percent of the 173 auctions reporting. At 35 percent of these sales

auctioneers bought regularly and at 13 percent occasionally, while at 52 percent of the sales no buying was reported by auctioneers.

Reasons given for auctioneers buying stock were: To graze or to feed on their own farms; forced to take stock at their own bids; to speculate; or to fill wire or telephone orders.

Auctioneers with a financial interest in auction barns are more likely to buy than those having no financial interest. This is illustrated in table 15, which shows that approximately 65 percent of the auctioneers who had a financial interest in the auction, purchased livestock, while only 37 percent of those with no financial interest were reported as buying at the auctions.

By auction operators.—An auction operator or an employee often buys livestock on his own account at the auction or in the country, as indicated in table 16. More than 60 percent of the auctions reported that the operators bought livestock at the auction, 46 percent that they were regular buyers, and 14 percent occasional buyers. More than two-thirds of the auctions reported that operators or employees bought stock in the country, and one-half reported that this was done regularly.

Auction operators justify buying in the country by saying it assures them of an adequate supply of stock to attract and hold buyers. Others say that they are required to buy at times at the auctions in order to assure consignors of a fair market. Some operators fill orders for packers and feeders.

While the reasons advanced by both auctioneers and operators may have some merit, these practices are difficult to keep within bounds. Suspicion on the part of farmers is easily aroused, thus causing lack of confidence in the auction market.

TABLE 15.—BUYING PRACTICES OF AUCTIONEERS IN RELATION TO THEIR FINANCIAL INTEREST IN THE AUCTIONS

Practice followed	Number of auctions in which auctioneers have—			Percentage of auctions in which auctioneers have—		
	Financial interest	No financial interest	Total	Financial interest	No financial interest	Total
Regular buying.....	37	24	61	54.4	22.0	34.5
Occasional buying.....	7	16	23	10.3	14.7	13.0
No buying.....	23	66	89	33.8	60.5	50.3
Practice not stated....	1	3	4	1.5	2.8	2.2
Total.....	68	109	177	100.0	100.0	100.0

Source of data: Compiled from information obtained from auction operators.

TABLE 16.—BUYING PRACTICES OF AUCTION MARKET OPERATORS OR THEIR EMPLOYEES

Practice followed	Number of auctions where operators or employees buy—			Percentage of auctions where operators or employees buy—		
	In the country	At the auction	Total	In the country	At the auction	Total
Regular buying.....	93	58	151	53.1	46.0	50.2
Occasional buying.....	24	18	42	13.7	14.3	13.9
No buying.....	58	50	108	33.2	39.7	35.9
Total.....	175	126	301	100.0	100.0	100.0

Source of data: Compiled from information obtained from auction operators.

By traders and order buyers.—It was reported that regular traders and order buyers sometimes form a clique to bid up each other's stock until it can be unloaded on an outsider. Another practice followed is to "lay off" active bidding on a farmer's consignment and thus buy it below its value. At some auctions the auctioneers appeared to work much harder on stock consigned by dealers or by auction operators than on stock offered by farmers.

When an outsider starts to bid, dealers sometimes bid against him and make him pay dearly for the livestock he purchases. This was noticeable when an outside buyer was trying to purchase enough stock for a full carload or large truckload. They would allow him to purchase a few head at first at a reasonable price but force him to pay a premium to fill out his load.

At some auctions the auctioneer appeared to overlook bids from farmers on some stock and to knock it off quickly to a trader or favored buyer. In several instances observed, farmers found when they went to settle for stock which had been sold to them that it had been weighed up to a speculator. At several auctions in two States it was reported that one order buyer was given the bulk of the orders for a number of small butchers, packers, and other buyers in order to reduce the amount of active competition. This same practice, however, is followed at many public stockyard markets and is not necessarily detrimental to producers.

The practice of taking tips from traders was reported to be followed by a few auctioneers. It is obvious that such a practice does not work to the interest of farmers patronizing the auction.

Producers' opinions regarding buying practices.—Replies from 1,500 producers queried as to buying practices of auction operators showed that more than 82 percent believed that operators purchased livestock at auctions and in the country. When asked, "Do you favor these practices?" approximately 69 percent answered, "No."

More than 67 percent of the producers queried were of the opinion that auctioneers bought and sold for their own accounts. Nearly 78 percent were opposed to this practice.

Farmers complained that some regular dealers and large operators receive preference; that rings of traders get all cheap stock, run up prices on farmers, and can return stock to the owner if it is dropped on a trader bidding for a friend. It is true that dealers and auction operators frequently offer their stock at auctions and bid it in themselves.

Sellers and Buyers

Accurate data on volume of business from each type of consignor or purchases by each type of buyer could not be had from the books and records of the auctions studied. Estimates, of which some probably were inaccurate, were obtained from auction operators. They afford a general idea, however, as to the importance of each type of seller and buyer patronizing the auctions visited.

Farmers are the largest consignors to auctions, but a considerable volume of stock is supplied by traders and dealers. At 120 auctions studied farmers supplied 70 percent of the cattle and calves, 76 percent of the hogs, and 82 percent of the sheep, or nearly 75 percent of the total volume consigned in 1936. The remainder came from dealers, traders, and auction operators, all of whom were classed as traders. Dealers consigned the highest percentage of livestock, largely cattle, in the southern, central Corn Belt, and Plains sections studied. The importance of each class of seller by section is shown in table 17.

To ascertain the relative importance of different types of buyers, auction operators were asked, "What proportion of each species of livestock is purchased by traders, order buyers, packers, and farmers?" Estimated percentages showing amounts purchased by different types of buyers at 79 auctions appear in table 18.

Frequently, it was difficult to separate the stock purchased by packers and by order buyers, or by dealers and by order buyers, inasmuch as some operators performed all types of buying services. It should also be pointed out that percentages shown for order buyers, packers, and farmers may be too high, because auction operators may have emphasized the importance of these buyers in their estimates.

Farmers were the most important purchasers of all species of livestock in the central Corn Belt, the Plains, and the western range sections. At 45 auctions in Iowa, farmers were reported to have pur-

TABLE 17.—ESTIMATED PERCENTAGE OF LIVESTOCK SOLD BY FARMERS AND TRADERS AT 120 AUCTION MARKETS, 1936

Section ¹	Number of auctions reporting	Percentage of cattle and calves sold by—		Percentage of hogs sold by—		Percentage of sheep sold by—		Percentage of all livestock sold by—	
		Farmers	Traders	Farmers	Traders	Farmers	Traders	Farmers ²	Traders ³
East Central States.....	22	76.6	23.4	87.8	12.2	83.3	16.7	82.3	17.7
Central Corn Belt.....	65	63.4	36.6	70.8	29.2	79.4	20.6	68.0	32.0
Plains.....	18	68.9	31.1	70.0	30.0	74.7	25.3	70.1	29.9
Western Range States.....	7	77.3	22.7	95.1	4.9	100.0	-----	81.1	18.9
Pacific Coast.....	6	99.0	1.0	99.1	.9	100.0	-----	99.1	.9
Southern States.....	2	64.5	35.5	66.2	33.8	75.0	25.0	65.4	34.6
Total.....	120	69.6	30.4	76.3	23.7	81.9	18.1	74.5	25.5

¹ The auctions studied were located in the following States, by sections: East Central States—Kentucky, Ohio, and Virginia; central Corn Belt—Illinois, Iowa, Michigan, and Missouri; Plains—Kansas, Nebraska, and South Dakota; Western Range States—Colorado and Montana; Pacific Coast States—California; Southern States—Georgia.

² A small portion of the livestock reported as supplied by local cooperatives has been included with that supplied by farmers.

³ Under "traders" is included livestock supplied by dealers, truck buyers, or speculators, and consignments brought from other sales.

Source of data: Compiled from information obtained from auction operators.

chased nearly 85 percent of the feeder and breeder cattle, calves, sheep, and hogs.¹⁴ In the Eastern States, packers were the most important purchasers of cattle, calves, and hogs, whereas order buyers were the most important purchasers of sheep. In the Pacific coast section, packers were the largest purchasers of all livestock except sheep. At one auction in California, however, which handles stocker and feeder hogs primarily, farmers were the chief buyers. In the southern section, packers were reported to be the most important purchasers for all species of livestock.

Farmers' purchases consisted for the most part of stocker, feeder, and breeder animals. Packers bought slaughter stock, as did order buyers. In the western range areas, however, a considerable part of the order buyers' business consisted of feeder stock purchased either for farmers or for their own accounts. Trader purchases included all species and classes of livestock but cattle were most important.

In some sections the number of auctions from which this information was available was small, and, therefore, it may not be truly representative of all the auctions. Within these limitations, however, these percentages indicated in general the importance of the different types of buyers operating at auctions in the various sections described.

Weighing Livestock

Accurate and honest weights are as important as the price received for livestock bought or sold. Although it was impossible to check the accuracy of the weights at the auctions studied, considerable information as to weighing methods and practices was obtained through attendance at auction sales and through contacts with auction operators, buyers, and farmer-patrons.

Of the 130 auction markets which maintained scales and did some weighing, 27 percent weighed stock before sale, 60 percent after sale, and 10 percent combined these two methods. Three percent seldom used scales.

In Kentucky, Virginia, and Georgia, stock is generally weighed before sale. In Colorado, Iowa, Michigan, Montana, and Nebraska, it is usually weighed after sale. Some auctions in California, Illinois, Ohio, and Kansas use a combination of both methods of weighing.

Approximately 60 percent of the auctions weighing livestock furnished patrons with duplicate scale tickets. At some auctions, buyers but not sellers received duplicate copies. Whenever possible, it seems desirable to furnish patrons with duplicates of scale tickets, to assure them of actual weights and thus avoid possible suspicion and criticism.

Information on the frequency of scale balancing was obtained from 69 auctions. At 28 of these the scales were balanced once for every

¹⁴ See p. 326 of reference cited in footnote 4.

TABLE 18.—ESTIMATED PERCENTAGE OF LIVESTOCK BOUGHT BY FARMERS, PACKERS, ORDER BUYERS, AND TRADERS AT 79 AUCTION MARKETS, 1936

Section ¹	Number of auctions reporting	Percentage of cattle and calves bought by—				Percentage of hogs bought by—				Percentage of sheep bought by—				Percentage of all livestock bought by—			
		Farm-ers	Pack-ers	Order buyers	Traders	Farm-ers	Pack-ers	Order buyers	Traders	Farm-ers	Pack-ers	Order buyers	Traders	Farm-ers	Pack-ers	Order buyers	Traders
East Central States.....	17	12.1	44.8	25.0	18.1	14.4	20.0	32.2	13.5	12.0	28.1	41.7	17.6	12.9	37.5	32.9	10.7
Central Corn Belt.....	36	40.4	13.7	19.4	26.5	55.6	4.6	15.3	23.5	37.1	11.0	16.2	35.7	47.7	9.3	17.3	25.7
Plains.....	10	51.1	14.4	10.7	23.8	54.2	8.3	20.0	17.5	78.5	6.8	5.3	9.3	57.5	10.4	13.8	18.3
Western Range States.....	8	45.6	14.2	19.3	19.9	69.6	-----	24.8	5.6	87.3	-----	5.5	7.2	51.2	11.4	20.2	17.2
Pacific Coast.....	6	40.0	60.0	-----	-----	35.2	64.8	-----	-----	100.0	-----	-----	-----	36.5	63.5	-----	-----
Southern States.....	2	13.0	56.0	20.5	10.5	14.1	58.3	18.8	8.8	20.0	70.0	10.0	-----	13.6	57.2	19.6	9.6
Total.....	79	34.0	24.1	20.1	21.8	43.8	19.4	19.7	17.1	25.2	22.7	33.0	19.1	36.2	22.1	22.1	19.6

¹ The auctions studied were located in the following States, by sections: East Central States—Kentucky, Ohio, and Virginia; central Corn Belt—Illinois, Iowa, Michigan, and Missouri; Plains—Kansas, Nebraska, and South Dakota; Western Range States—Colorado and Montana; Pacific Coast States—California; Southern States—Georgia.

Source of data: Compiled from information obtained from auction operators. Volume shown as purchased by order buyers for the most part represented slaughter stock for packers; however, in the Western Range States a considerable volume of the order-buyer business represented feeder stock.

2 to 10 drafts; at 6 auctions scales were balanced for every 10 to 20 drafts. Several made it a rule to balance the scales every 15 to 30 minutes, and others balanced the scales each hour. A great number, however, had no regular system.

Some auctions have been criticized for their weighing practices. That the criticism is justified is indicated by information obtained through observation at some auction markets. Cases were cited of scales not in balance when stock was weighed, and stock showing excessive shrinkage from farm weight. In some instances reported stock weighed as much at a destination several hundred miles distant as it did at the auction.

At times it was held that auction operators weighed stock light to make purchases attractive to buyers through increased yields, and thus insure holding their orders. Other operators were reported as using short weights to obtain higher prices per 100 pounds so that their prices appeared to be higher than those at other markets in the area.

Such practices cause farmers and stockmen to lose confidence in the auction method of marketing. Much of this criticism might be eliminated if scales were checked more often for accuracy and if honest weights were always given.

Weighers

Livestock is usually weighed by auction officials, managers, or employees. In a few localities, however, it is weighed by county officials, public weighmasters, or farmers. Reports from 123 auctions indicated that at 103 the weighing was done by operators or employees and at the remainder by disinterested parties such as county agents, county supervisors, public weighmasters, or farmers.

Bonded weighmasters, having no direct connection with the other operations of the auction, might create more confidence in the accuracy of weights.

Farmers' Viewpoint on Weighing

To ascertain farmers' reactions toward weighing practices, 1,200 producers were questioned. Only about one-third of the 960 producers reporting usually weighed their livestock before delivery to the auction. As a result, few of them know whether or not their stock shrinks heavily. Only two-thirds of the producers reporting watched the weighing of their livestock at auctions. At most of the auctions where the producers did not watch the weighing, the scales were located in a place not easily seen by everyone. Of 349 producers reporting, 288 said they were satisfied with weighing methods used at auctions.

When asked how the shrinkage at auctions compared with that on stock shipped to central markets, 67 percent of 196 producers replied that they thought the shrinkage at central markets heavier than at auctions, 6 percent stated that it was less at terminals, and 27 percent said it was about the same. Excess shrinkage from farm weights, of course, may be the result of inaccurate farm scales.

Office Procedure and Forms

Although the details of office procedure vary considerably at different auctions the general procedure follows similar lines. After livestock is sold and weighed, tickets, prices, and buyers' names are sent to the office where sales and purchase bills are made up. Deductions are made for commission, insurance, inspection, and transportation charges, and checks are then drawn. All financial settlements between buyers and sellers are made through the auction company. A brief description of the various forms and their use follows.

Receiving Card or Truck Delivery Ticket

At time of delivery, auction yard employees at the unloading chutes list the name and the address of the consignor, the number, the species, and a brief description of each animal. When stock is sold by individual ownership, each animal is given an auction number for identification purposes. It retains this number until it is sold and removed from the sales barn. The pen number also is recorded on this card, together with any additional information furnished by the consignor. When stock is graded and sold in pooled lots, only grade, weight, and pen numbers are recorded. Some auctions use a grading card in addition to the receiving ticket (appendix B, form 1).

Sales Sheet

Information showing the name of the consignor, the kind of stock, the number of head, and the auction mark or number copied from the receiving ticket is listed on the sales sheet for the auction clerk. When stock is sold on an in-weight basis, these sales sheets are made up before the sale by pen numbers, with the weight added. As soon as all animals in each pen are sold, with the price and the purchaser's name recorded, the sheet goes to the settling clerk. When stock is not sold on an in-weight basis, this information is copied on the sales sheet directly from the receiving ticket, which is handed to the clerk by the yardman as each lot of stock enters the sales ring. (See appendix B, form 2.)

Pen Card

At some auctions, when graded stock is sold on an in-weight basis, pen cards are prepared before the sale and supplied to buyers. These cards show the number of animals, the grade, and the total weight or the average weight per head in each pen (appendix B, form 3).

Scale Ticket

The better operated auctions use the type-registering beam scale and make duplicate or triplicate scale tickets. One ticket is given to the consignor, a second one to the buyer, and a third is retained by the company (appendix B, form 4).

Bill of Sale and Check

When the proceeds from each consignor's sale have been figured, a bill of sale is made up, usually in duplicate or triplicate, showing the number of head sold, the price per head or per 100 pounds, the gross sales, the name of the purchaser, the deductions made, and the net proceeds due the consignor. Some auctions use also a combination sale bill and check; others issue these separately (appendix B, form 5).

Buyer's Invoice or Account of Purchase

A statement listing the stock purchased, together with the weight, price, and total amount due from the buyer, is made up in triplicate form. The original is for the office, a duplicate for the buyer, and the triplicate copy marked "paid" by the office clerk is for checking out stock from the yards (appendix B, form 6).

Release Order

To release the auction company from liability after a trucker has hauled the stock away from the sales yard, some operators insist that truckers or purchasers sign a release ticket or card at the time of loading. This tends to eliminate any future argument or misunderstanding as to the proper count or the kind of stock delivered to the purchaser (appendix B, form 7).

Auction Charges

Charges assessed vary considerably among auctions, both as to the amounts and the methods used in computing them. Complete charges include commissions for selling, yardage, feed, health and brand inspection, insurance, and vaccination, though not every auction makes all these charges. A few assess a yardage fee. Many do not charge for insurance, or for health or brand inspection.

Commission Rates for Selling

Some auctions assess commission rates on a percentage of gross sales value, others compute charges on a per head basis, and a few use a combination of both systems.

Rates for cattle, calves, hogs, and sheep.—Table 19 shows that 89 of the 176 auctions reporting computed their charges as a percentage of gross sales, and that all but 6 of these charged a uniform rate for all species of stock. Rates varied from 1 to 5 percent of the sales value of the livestock, with 50 out of 83 auctions charging 3 percent, and 14 charging 4 percent. Commissions based on a percentage of gross sales value are probably more equitable to growers than a per head charge because prices of livestock fluctuate constantly. When prices are high, volume is usually less and producers can afford to pay a higher marketing charge than when prices are low. Volume is usually greater during periods of low prices and the auction tends to stabilize its income through increased volume, even though the per unit charges may be lower.

Charges were computed on a per head basis at 44 percent of the total auctions reporting. Rates varied according to species as well as weight and value of the stock sold. Cattle charges ranged from 50 cents to \$1.25 per head; the most common was \$1. Charges for calves varied from 30 cents to \$1; the customary rate was 50 cents per head. Charges for pigs and hogs ranged from 17 cents to 75 cents per head; the most common were 25 cents for pigs and 50 cents for heavy hogs. Sheep rates were from 5 cents to 50 cents, and the most frequent charge was 25 cents per head.

A combination of percentage of sales value and per head rates was charged by 9 auctions. The percentage charges varied from 2½ to 3 percent and the per head charges ranged from 20 cents for sheep to \$1 per head for cattle.

At 61 percent of the 174 auctions reporting, the selling charges were uniform for both large and small consignments, while 39 percent of the auctions gave reductions on large lots. Such reductions were based on the number of animals in the lot, the aggregate value of the lot, or on a combination of both. No uniform procedure was followed.

Figure 24 shows a typical commission schedule for an auction. In Iowa, for example, where reductions are based on a specified number of head, individual auctions may use 10, 15, 20 head or a carload as minimum points for application of lower rates. When reductions in selling rates are based on the aggregate value of the animals sold, representative minimums are \$100, \$200, \$500, and \$1,000.¹⁴

Rates for horses and miscellaneous goods.—Reports indicate that about 27 percent of the auctions reporting charge a percentage vary-

¹⁴ See p. 303 of reference cited in footnote 4.

TABLE 19.—METHODS USED BY 176 AUCTION MARKETS IN COMPUTING COMMISSION CHARGES FOR LIVESTOCK SOLD

Section	Number of auctions with commission charges based on—				Percentage of auctions with commission charges based on—					
	Percentage of gross sales		Fixed amount per head †	Combination rate ‡	Total	Percentage of gross sales		Fixed amount per head †	Combination rate ‡	Total
	Uniform rate for all species †	Rate varying with kind of livestock				Uniform rate for all species †	Rate varying with kind of livestock			
East Central States.....			26		26			100.0		100.0
Central Corn Belt.....	68	4	22		80	70.8	4.5	24.7		100.0
Plains.....	10	1	15	3	20	84.5	3.5	51.7	10.8	100.0
Western Range States.....	8	1	8	1	13	28.1	7.7	61.5	7.7	100.0
Pacific Coast.....	6				6	100.0				100.0
Southern States.....	1		7	5	13	7.7		53.8	38.5	100.0
Total.....	88	6	78	9	176	47.2	3.4	44.3	5.1	100.0

† Rates varied from 1 to 8 percent of gross sales, with 60 percent of the auctions charging 3 percent, and 17 percent charging 4 percent.

‡ Rates per head varied with auctions and with species but the most common rate charged was \$1.00 per head for cattle, 50 cents per head for calves and heavy hogs, and 25 cents per head for pigs, lambs, and sheep.

§ This rate combines a percentage of gross sales price for some species and a per head charge for others.

Source of data: Compiled from information obtained from auction operators.

Selling Charges

—No Yardage Charge—

Hogs, per head.....	\$0.25
Shoats, under 60 pounds.....	.15
Sow and pigs.....	1.00
Boars, bred sows.....	.50
Roughs and stags over 350 pounds...	.50
Roughs and stags under 350 pounds..	.25

Cattle—sold singly.....	1.00
Cattle—sold 3 or more.....	.75
Cow and calf.....	1.50
Veal calf.....	.50
Deacon calf.....	.25
Bulls.....	1.00

Sheep, per head.....	.25
Lambs, per head.....	.25

Horses—5 percent up to \$100.....	
Horses—\$100 or over.....	5.00

Special reduction on carload lots.

Miscellaneous items, 3 to 10 percent, depending on time required for sale.—A charge of one-half of 1 percent additional is made on all sales for insurance of stock and guaranteed payment to seller.

SALE EVERY MONDAY

FIGURE 24.—TYPICAL COMMISSION SCHEDULE FOR AN AUCTION MAKING CHARGES ON A PER HEAD BASIS.

About 44 percent of the auctions studied charged on this basis.

ing from 2 to 5 percent of the gross sales value for selling horses. At other auctions selling charges were on a basis of from 50 cents to \$5 per head. Even here, however, the rate per head usually depends upon the sales value of the animals.

The usual charge for selling farm machinery and miscellaneous goods varied from 5 to 10 percent of the total sales value. Most auctions charged 5 percent for machinery and 10 percent for miscellaneous goods.

Charges when no sale is made.—Charges assessed when stock consigned is not sold vary widely among different auctions. Information obtained from 124 auctions indicates that at 33 percent of

them a regular charge was made, regardless of whether or not stock was sold, at 27 percent no charge was made, while at 13 percent a charge of one-half of the regular commission was assessed. Thirty-three operators indicated that charges were less than regular rates. However, no uniform procedure was followed.

Yardage

Only 13 percent of 160 auctions reporting charged the patron for yardage. Most of the sales included yardage in the selling charge. No charge for yardage was reported at auctions in Georgia, Iowa, Kentucky, Missouri, South Dakota, and Virginia. Several auctions charge for yardage only when stock is held over or, in some cases, when the auction company uses railroad stock pens for loading shipments on commercial trucks. Yardage charges for cattle varied from 5 cents per head to 50 cents; the most common was 25 cents. For calves it was from 5 cents to 25 cents, generally 15 cents. Yardage for hogs and sheep was from 5 to 10 cents, usually 5 cents per head. Yardage for horses varied from 10 cents to 50 cents, the most common being 35 cents per head.

Feed

The practice of feeding stock at auctions is limited, as most stock is delivered within a few hours after it leaves the farm or ranch. There are exceptions, however, in the case of the large western feeder auctions and some sales in the Middle West and the eastern Corn Belt sections, where much of the feeder stock is shipped in for sale.

Less than one-third of the 181 auctions studied reported feed charges, and at 68 percent of these auctions patrons were charged only for the cost of the feed. A specific feed charge was made at only 16 sales. Among this group, the feed charge per day for cattle ranged from 10 to 35 cents per head, for calves from 10 to 25 cents, for hogs from 5 to 10 cents, and for sheep from 3 to 15 cents per head.

Inspection

Twelve of the 14 States require health inspection at auction markets, either by special statutes or through sanitary regulations. At each auction in these States, a veterinarian, approved by the State department of agriculture or by the sanitary commission, inspects the livestock offered for sale. The inspector also issues health certificates for breeding and feeding stock, quarantines stock when necessary, and supervises the cleaning and disinfecting of the yards.

Nine States require payment of inspection fees, either by the auction operator or by the consignor of the livestock. In some States all fees were paid to the local veterinarian by the auction, while in others a portion of the fees was sent to the State department to help finance

this inspection service. At some sales the auction company absorbed all fees; at others this additional charge was assessed against the consignor. The amounts of inspection fees charged varied as follows:

Cattle: One-half to 5 cents, usually 3 to 5 cents per head.

Hogs: One-fourth to 3 cents, usually 1 to 2 cents per head.

Sheep: One-fourth to 3 cents, usually 2 to 3 cents per head.

Horses: One-half to 10 cents, usually 5 cents per head.

Vaccination

In 9 of the 14 States in which the study was made, all hogs not for immediate slaughter, after being sold at auction, had to be vaccinated unless an affidavit showing vaccination could be shown. Two States required vaccination only of stock coming from outside the State. In the three other States, no regulation was in effect regarding vaccination.

Enforcement of regulations varied considerably among the auctions and States. Some operators endeavored to comply with the regulations, while others appeared to be lax.

Auctions assessed and collected vaccination charges in various ways. Of 99 auctions reporting, the buyer paid for vaccination at 72 sales and the seller at 22, while at 4 it was optional with the seller whether he paid or not. At 1 auction the seller paid for the vaccination charge on hogs up to 100 pounds in weight, but the buyer paid for the cost on all hogs over this weight.

Vaccination charges varied widely. Usually the charge covered the actual cost of serum and virus plus the regular charge made by the veterinarian. Rates ranged from 20 to 40 cents per head on light pigs, 50 to 60 cents on 90- to 150-pound averages, and from 65 cents to \$1 per head on heavier weights.

Brand Inspection

Livestock inspected included cattle and calves, sheep, and horses. Brand inspection is required in Colorado, Montana, Nebraska, and South Dakota. Inspection fees were generally 10 cents per head for cattle and horses and 2 cents per head for sheep.

Insurance

Insurance was carried by 66 of 176 auctions. In some cases, this insurance covered only fire and windstorm loss to stock while in the care of the auction. In others, stock was insured against any loss, such as death or crippling, from the time it was delivered at the auction yards until it left.

Insurance premiums varied widely depending upon the type of coverage. Some auctions charged on a per head basis, while others

computed their charges on a percentage of the gross sales value of the stock. In a few instances the auction company absorbed the insurance charge, but most of the time insurance premiums were charged to the consignor. Some insurance rates charged for different kinds of livestock at auctions are shown in appendix A, table 22.

Insurance is a legitimate assessment against the consignor of stock if the amount charged is not excessive. However, since the losses at auctions are small, the amount collected for insurance at some auctions represents too high a charge.

Auction Charges Compared With Central Market Charges

A comparison between marketing charges at local auctions and those at public stockyard markets is difficult to make, because rate structures and methods of handling livestock differ. Most auction charges are based on the gross sales value of the livestock, while central-market charges are on a per head sliding-scale basis, the rate decreasing as the number of head increases.

Comparison of Selling Charges

The only marketing charges of which satisfactory comparison can be made are those assessed for selling. Average selling charges for livestock, on both a valuation and a per head basis at auctions, were used in comparison with the regular published commission rates of the Kansas City and Chicago public markets. It should be pointed out, however, that the auction charges, which are based on a percentage of gross sales, vary with changes in the prices of livestock, while the charges at central markets are on a per head or a per car basis. In table 20 are compared selling charges for livestock of different species of varying weights, value, and number at auction markets and at two public markets. In figure 25, auction charges based on 3 percent of gross sales value and charges at the Chicago public market are compared.

Analysis of the data in table 20 indicates that, at auctions where livestock is sold on a percentage-of-gross-value basis, the average per-head expense of selling small numbers of animals of low weight and value is generally less than at public markets. This is especially true of small stock, such as veal calves, pigs, lambs, and sheep.

However, it is noticeable that for medium- and heavy-weight cattle and hogs of higher valuation, selling charges at auctions were higher than at public markets.

At auctions where livestock was sold at a specified rate per head, charges were usually lower than at public markets.

While selling charges on animals of heavy weight and of high value appear to be high at auctions in comparison with public markets,

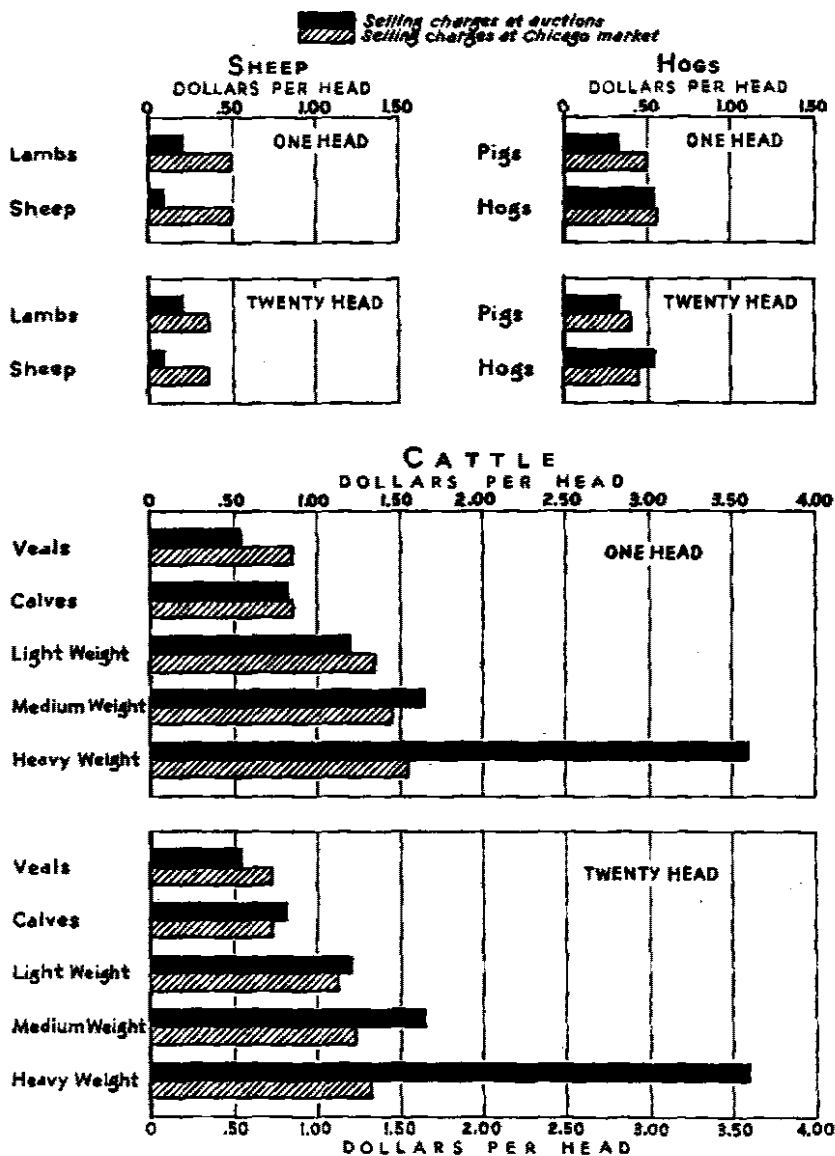


FIGURE 25.—COMPARISON OF SELLING CHARGES AT AUCTIONS WITH THOSE AT THE CHICAGO PUBLIC MARKET.

A charge based on 3 percent of the gross sales value was used for the auctions, and the published rate-per-head schedule for the Chicago public market. (For more detailed information on commission charges, see table 20, p. 72.)

as a rule only a limited volume of this class is consigned to auctions. Most consignments consist of small lots of medium- and low-grade slaughter and feeder stock and of veal calves, pigs, lambs, and sheep.

TABLE 20.—COMPARISON OF SELLING CHARGES AT LIVESTOCK AUCTIONS WITH THOSE AT 2 PUBLIC MARKETS

Selling charge and class of livestock ¹	Charge per head ²			
	1 head	5 head	20 head	Single deck car by rail
Cattle and calves:				
Veals (average weight 180 pounds, value \$18 ³):				
Auction, 3 percent of gross value.....	\$0. 54	\$0. 54	\$0. 54	\$0. 54
Auction, 4 percent of gross value 72	. 72	. 72	. 72
Auction, specified rate per head.....	. 50	. 50	. 50	. 50
Chicago public market.....	. 85	. 75	. 72	. 59
Kansas City public market.....	. 70	. 60	. 57	. 47
Calves (average weight 300 pounds, value \$28 ³):				
Auction, 3 percent of gross value 84	. 84	. 84	. 84
Auction, 4 percent of gross value	1. 12	1. 12	1. 12	1. 12
Auction, specified rate per head.....	. 50	. 50	. 50	. 50
Chicago public market.....	. 85	. 75	. 72	. 59
Kansas City public market.....	. 70	. 60	. 57	. 47
Lightweight (average weight 600 pounds, value \$40 ³):				
Auction, 3 percent of gross value.....	1. 20	1. 20	1. 20	1. 20
Auction, 4 percent of gross value	1. 60	1. 60	1. 60	1. 60
Auction, specified rate per head.....	1. 00	1. 00	1. 00	1. 00
Chicago public market.....	1. 35	1. 15	1. 12	. 97
Kansas City public market.....	1. 18	1. 08	1. 04	. 89
Mediumweight (average weight 850 pounds, value \$57 ³):				
Auction, 3 percent of gross value.....	1. 71	1. 71	1. 71	1. 71
Auction, 4 percent of gross value.....	2. 28	2. 28	2. 28	2. 28
Auction, specified rate per head.....	1. 00	1. 00	1. 00	1. 00
Chicago public market.....	1. 45	1. 25	1. 22	1. 11
Kansas City public market.....	1. 28	1. 18	1. 14	1. 04
Heavyweight (average weight 1,250 pounds, value \$122 ³):				
Auction, 3 percent of gross value.....	3. 66	3. 66	3. 66	3. 66
Auction, 4 percent of gross value.....	4. 88	4. 88	4. 88	4. 88
Auction, specified rate per head.....	1. 00	1. 00	1. 00	1. 00
Chicago public market.....	1. 55	1. 35	1. 32	1. 22
Kansas City public market.....	1. 33	1. 23	1. 20	1. 12
Pigs (average weight 130 pounds, value \$11 ³):				
Auction, 3 percent of gross value.....	. 33	. 33	. 33	. 33
Auction, 4 percent of gross value.....	. 44	. 44	. 44	. 44
Auction, specified rate per head.....	. 25	. 25	. 25	. 25
Chicago public market.....	. 50	. 40	. 40	. 28
Kansas City public market.....	. 52	. 37	. 37	. 24

See footnotes at end of table.

TABLE 20.—COMPARISON OF SELLING CHARGES AT LIVESTOCK AUCTIONS WITH THOSE AT 2 PUBLIC MARKETS—Continued

Selling charge and class of livestock ¹	Charge per head ²			
	1 head	5 head	20 head	Single deck car by rail
Hogs (average weight 200 pounds, value \$18 ³):				
Auction, 3 percent of gross value.....	\$0. 54	\$0. 54	\$0. 54	\$0. 54
Auction, 4 percent of gross value.....	. 72	. 72	. 72	. 72
Auction, specified rate per head.....	. 50	. 50	. 50	. 50
Chicago public market.....	. 55	. 45	. 45	. 35
Kansas City public market.....	. 52	. 42	. 42	. 29
Lambs (average weight 85 pounds, value \$7 ³):				
Auction, 3 percent of gross value.....	. 21	. 21	. 21	. 21
Auction, 4 percent of gross value.....	. 28	. 28	. 28	. 28
Auction, specified rate per head.....	. 25	. 25	. 25	. 25
Chicago public market.....	. 50	. 41	. 36	. 20
Kansas City public market.....	. 47	. 37	. 32	. 19
Sheep (average weight 100 pounds, value \$3 ³):				
Auction, 3 percent of gross value.....	. 09	. 09	. 09	. 09
Auction, 4 percent of gross value.....	. 12	. 12	. 12	. 12
Auction, specified rate per head.....	. 25	. 25	. 25	. 25
Chicago public market.....	. 50	. 41	. 36	. 20
Kansas City public market.....	. 47	. 37	. 32	. 19

¹ Auction rates selected were the most common charges.

² Some auctions have reduced carload rates or rates based on value of livestock or on number of head sold.

³ Estimated value per head is based on average prices for October and November 1937, as follows:

Chicago prices for:

Veals—good and choice grades, \$10.53.

Calves—good and choice grades, 260-600 pounds, \$9.53.

Lightweight cattle—feeder and stocker cattle, 500-800 pounds, common and medium grades, \$6.66.

Mediumweight cattle—feeder and stocker cattle, 800-1,050 pounds, common and medium grades, \$6.80.

Heavyweight cattle—slaughter cattle, 1,100-1,300 pounds, medium grade, \$6.77.

Hogs—slaughter hogs, 180-200 pounds, medium grade, \$9.31.

Lambs—lambs, medium grade, \$8.56.

Sheep—ewes, common and medium grade, \$3.06.

Kansas City prices for:

Pigs—feeder and stocker pigs, 70-140 pounds, good and choice grades, \$3.53.

Source of data: Compiled from information obtained from auction operators, published commission tariffs of livestock exchanges, and stockyard companies at Chicago, Ill., and Kansas City, Mo. Selling charges for public markets include commissions plus yardage but those for auctions include only commissions, since few of the auctions studied reported a separate yardage charge.

Comparison of Buying Charges

No fair comparisons can be made between buying charges at local auctions and at public markets because methods of operation are different.

At the public market, farmers usually pay a charge for experienced buying service. At local auctions, farmers do not employ trained buyers. As a result, the farmer may pay more for stock at the auction than he would have paid for stock of similar grade at the terminal market.

Other Charges Compared

In addition to selling, yardage, and buying charges, there are additional expenses such as feed, insurance, and health inspection, including vaccination and dipping, at both types of markets.

Feeding is optional with the consignor, although more of it is done at public markets than at auctions, usually because stock is in transit for a longer time before being sold and weighed. However, on days of large receipts at many auctions, stock may be held in trucks or in pens for several hours before it is sold, and when not fed it will show a heavy shrink. Feed charges at public markets are usually higher than at local auctions. Other expenses, such as insurance and those relating to health and sanitary matters, generally are assessed at both local and public markets but vary so widely that no accurate comparison can be made.

Producers' Opinions Regarding Charges

Opinions received from 342 producers on comparative charges of marketing through local auctions and at public markets indicate that about half of them considered auction charges less than those at public markets. Twenty-nine percent thought them higher and 18 percent considered charges about equal.

These opinions represent only the general ideas of the producers, and it is doubtful if they are based on a comparison of specific charges for identical classes, grades, and weights of livestock.

Operating Income and Expense

The amount and nature of the income and the expense items incidental to the operation of an auction market vary widely with differences in charges and volume of business. In most cases, no reliable information as to operating income and expense could be secured. However, reliable information is shown for 8 large auctions located in 3 Western States, and for 28 large general livestock auctions located in 13 Midwestern, Eastern, and Southern States.

Income

In the case of the 8 western auctions shown in appendix A, table 23, 43 percent of the total income was received from selling and buying commissions; 44 percent from feed, bedding, and yardage; and nearly 6 percent from trading operations. Much of the livestock received by these auctions travels long distances and arrives prior to the day of sale. Agencies of this type also carry on extensive trading operations, somewhat similar to those of stocker and feeder dealers at public markets.

Analysis of the principal sources of income for 28 general auctions, as shown in appendix A, table 24, indicates that nearly 80 percent of their income is derived from commissions; while less than 12 percent comes from feed, bedding, and yardage; and very little from trading operations. Although the amount of the average annual income received by the 28 auctions is higher than that of the average auction throughout the country, the major sources of revenue appear to be typical of many auctions.

Comparison of volume with net income.—To determine the relationship of the volume of business to the net income, an analysis was made of 35 auctions of varying sizes.

Auctions handling more than 50,000 head of livestock earned the largest net returns, while those handling less than 25,000 head per year generally were unprofitable. In many instances, operators of the smaller auctions carried on trading operations in the country and at the other auctions to supplement their inadequate income from commissions.

Expense

To obtain information regarding the expense of operating auctions, as well as to ascertain what the principal expense items are, data were used from 109 auctions—annual expense statements from 36 large-scale auctions,¹⁶ and estimated weekly sales costs from 73 smaller auctions.

Analysis of the principal expense items shown by the 8 large western auctions in appendix A, table 23, shows that 33 percent of the total expense was for salaries and wages; 10 percent for office and management; 30 percent for feed and bedding; 7 percent for losses; and 7 percent for advertising, soliciting, travel, and automobile expenses.

In the case of the 28 large general auctions, 46 percent of the total expenses went for salaries and wages; 12 percent for office and administrative items; 7 percent for feed and bedding; 10 percent for losses; and 5 percent for advertising, soliciting, travel, and automobile expenses (appendix A, table 24).

¹⁶ Includes 8 large western auctions and 28 large general-type auctions.

TABLE 21.—AVERAGE ESTIMATED WEEKLY EXPENSE OF 73 SMALL AUCTION MARKETS, CLASSIFIED ACCORDING TO AMOUNT PER AUCTION, 1936-37

Expense	Number of auctions reporting	Percent of auctions reporting
Less than \$50.....	5	6.8
\$50-\$74.....	8	11.0
\$75-\$99.....	9	12.3
\$100-\$124.....	11	15.1
\$125-\$149.....	7	9.6
\$150-\$174.....	6	8.2
\$175-\$199.....	8	11.0
\$200-\$224.....	7	9.6
\$225-\$249.....	4	5.5
\$250-\$274.....	3	4.1
\$275 or more.....	5	6.8
Total.....	73	100.0

Source of data: Compiled from information obtained from auction operators. Includes fees for auctioneers, salaries for other auction employees, and current miscellaneous expenses.

The average weekly estimated out-of-pocket sales expense reported by the 73 small and medium-sized auctions averaged \$147 as compared with \$711 for the 36 large-scale auctions.¹⁷ A break-down of the principal expense items of these 73 small auctions indicates that the auctioneering costs averaged \$28 per auction, or \$16 per auctioneer. This cost varied from \$6 to \$80 per sale. Office help amounted to \$25 per week, yard and extra help to \$50, and general overhead and miscellaneous expense averaged \$44 per week. Total weekly expenses varied from \$20 to \$478 per auction.

The range of expense per auction is shown in table 21. Weekly expenses of less than \$125 were reported by 45 percent of the 73 auctions and an average expense of more than \$200 per sale for 26 percent.

Prices at Local Auctions and at Terminal Markets

An attempt was made in this study to make direct comparisons between prices paid for livestock at auctions and those at public markets, but for numerous reasons satisfactory comparisons could not be made.

¹⁷ Estimated weekly expenses of the 73 auctions did not include such items as depreciation, losses, interest or management, all of which were included in the expenses of larger auctions.

Some of the difficulties which were encountered are pointed out by Ashby,¹⁸ who states that in considering livestock prices as reported by auctions, several things must be borne in mind, for example: (1) There is no certainty that the livestock is really sold, even though it goes through the sales ring and is apparently knocked down to some bidder; (2) stock may have been sold in advance, then put through the sale at a fictitious price just as a "come on"; (3) at many auctions stock is sold by the head, with no information as to weights; (4) no dependable price quotations are available at many of the auctions. Furthermore, if a strange buyer attends an auction, the regular buyers may bid prices high for that day so as to discourage his return.

In addition to fictitious or inaccurate prices, other factors which made it difficult to compare prices at the two types of markets include lack of uniform grading, irregular weighing practices, and differences in transportation and marketing charges and in shrinkage.

Most farmers, however, do not take into consideration these variable factors in comparing prices between different markets. This was shown conclusively in personal interviews with producers who were asked this question: "Do you check prices received at auctions for your livestock with those quoted at a central market on the day of sale? How do they compare?" Of the 543 producers who replied to this question, 52 percent stated that they did check prices and 48 percent that they did not.

Nearly half of the 280 producers who stated that they made comparisons believed prices at auctions to be higher than those received at public markets. Only 5 percent thought prices were more favorable at public markets.

It was evident that only a few of these producers had taken into consideration all the factors necessary to make an accurate comparison. Nevertheless, the favorable opinion which many producers expressed toward auctions should be weighed by livestock cooperatives when considering changes in their marketing methods.

Personnel

The number of employees required to operate an auction sale varies with the volume and the kind of livestock handled, the arrangement of facilities, the method of selling, the kind and the amount of service rendered, and the efficiency of the management.

In addition to the manager, who is usually one of the owners of the auction, the personnel consists of auctioneers, ringmen, yardmen, weighers, and office clerks. At some of the larger auctions which employ several auctioneers, those not crying the sale usually act as ringmen.

¹⁸ Ashby, R. C., SELLING ILLINOIS LIVESTOCK THROUGH AUCTIONS, Ill. Agr. Expt. Sta., 49 pp. 1938, (Mimeographed.)

For purposes of analysis, 3 main classes of employees were considered; namely, auctioneers, office employees, and yard help. Reports from 121 auctions indicate that the number of auctioneers required per auction varied from 1 to 6; the most common number was 1 or 2. The number of office employees required per auction varied from 1 to 9. The number of yard and extra help ranged from 1 to 50; the greatest number of auctions reported 9. The total number of employees reported averaged about 17 per auction, although this varied from as low as 5 to more than 40 per sale.

Attendance at Sales

The attendance at most auction sales, as reported by operators and as observed by investigators, was remarkably large, especially during the fall, winter, and spring months. Average attendance during 1936, as reported by 117 auctions, showed only 23 percent with less than 200 persons per sale. Sixty percent reported an average attendance of from 200 to 600; and 17 percent showed an average exceeding 600. The maximum attendance at any one sale was 3,400 people.

In order to ascertain the relationship between the attendance at sales and the regularity of sale or purchase of livestock, an analysis of 885 producers' reports was made. The result, as shown in appendix A, table 25, indicates that over 60 percent of the farmers reporting attended auctions from 1 to 10 times a year, and 48 percent of the time these farmers neither sold nor purchased livestock. Eleven percent of the farmers who attended auction sales more than 20 times a year were regular sellers and buyers. This group, no doubt, represents many farmers who were more or less traders as well as farmers.

Financial Responsibility of Auctions

AUCTION sale companies perform a function similar to that of commission agencies operating on public markets. Both receive livestock on consignment, collect from the buyer, and remit the proceeds to the consignor after deducting certain published charges for handling and selling stock.

All livestock commission companies at public markets are required by the Packers and Stockyards Division of the United States Department of Agriculture to carry bonds for the protection of the shipper, in proportion to the volume of business handled.

Of the 181 auctions studied, only 53 reported that they carried bonds which protected the shipper against loss. Forty auctions reported the amounts of bonds carried. These amounts ranged from

\$1,000 to \$5,000 for 57 percent of the auctions, and from \$21,000 to \$40,000 for 25 percent of them. Most of the auctions carried fidelity bonds, and a few carried faithful-performance bonds on their employees.

Several States require auctions to carry a flat bond of \$1,000 regardless of volume of business handled, while others require them to carry an amount equal to the proceeds from 2 average days' sales and purchases. For further information in regard to the bonding of auction operators, see p. 85.

Losses to Auctions

While in theory an auction market handling livestock on consignment should experience little loss, in actual practice losses may occur unless the auction checks closely on the responsibility of its buyers and pays strict attention to collections.

Sixty-eight percent of the auctions reported losses from bad debts during 1936 and 1937. The extent of such losses varied from \$40 to as much as \$20,000 per auction in 1936. However, 51 percent of these auctions lost less than \$200, while only 2 percent reported losses of \$10,000 or more.

Some of the reasons advanced for losses included bad checks, bank failures, dishonest buyers, and dead, crippled, and stolen livestock. A few auction operators reported that they carried check insurance, but most of them considered the cost of this protection too high. Auctions engaging in speculative activities may lose money. Probably one reason most auctions of this kind have experienced only small losses during the last few years is because the general price level of livestock has been rising with no disastrous decline similar to that from 1929 to 1932.

Losses to Producers

Although auction operators have sustained substantial losses, producer-consignors have lost only small amounts. Replies from 500 producers as to losses incurred from receiving bad checks from auction markets showed that approximately 1 percent had received bad checks from auction operators as compared with 8 percent from local dealers. Two-tenths of 1 percent had lost through commission companies operating on public markets.

As some auction companies have sustained substantial losses, it appears desirable that all auction companies be required to carry bonds sufficient to protect their shippers. Furthermore, from the auction operators' standpoint it would be helpful if all regular buyers at their sales, whether packers or traders, were required either to carry bonds or to pay cash for livestock purchased.

Statutes and Regulations Governing Auction Markets

DURING the last few years, a number of States have enacted legislation designed to regulate the sale of livestock at local markets. The statutes vary somewhat in the types of livestock to which they are applicable. Generally, these statutes cover cattle, swine, sheep, and goats. Many of them include in addition horses and mules. The Colorado statute includes also burros and poultry. The Indiana statute covers "cattle, sheep, swine, horses, mules, or goats, *intended for slaughter,*" thereby indicating that it was the purpose of the statute to regulate purchases made on the part of slaughterers.

There is also a wide variation in the parties whose activities these statutes are designed to regulate. Most of the statutes are directed primarily toward the livestock-auction markets or the community sales. Others are directed toward the buying activities of the packing houses. However, in general, it seems to be the purpose of the statutes to regulate the sale of livestock when the purchaser expects to slaughter, to feed, or to resell the stock. Each of the statutes covers one or more of the types of persons or organizations engaged in the purchase or sale of livestock at auction or otherwise, either as principal or as agent.

General Requirements

Most of the statutes exempt certain persons and transactions from their provisions. Among the exemptions found are "dispersal sales," sales at places posted as stockyards by the Secretary of Agriculture under provisions of the Packers and Stockyards Act (42 U. S. Statutes at Large, 159), the packer or the agent of the packer who receives or purchases livestock for prompt slaughter, purchases of cattle for grazing and feeding purposes, and sales of breeder stock by an owner or by an association of owners under their own management.

The administration of these statutes is delegated to some State administrative officer or body which is given authority to issue licenses for stated fees, usually for a period of 1 year; to renew and revoke them for cause; and to make rules and regulations for administration of the act. Licensees, in most cases, are required to give bond, either for a stated or a determinable amount—in favor of the administrative officer or body and subject to its approval—to protect purchasers of livestock, and to assure compliance with the terms of the statute.

The statutes also prescribe the manner in which actions may be brought in the name of the State or of the State administrative

officer or body by the persons injured. The State administrative officer or body is usually given the right to suspend, cancel, or revoke licenses by reason of various acts or omissions of licensees, such as: Violations of the provisions of the act or regulations; violations of the provisions of the bond; fraud or misrepresentation of the title, the brands, or the ownership of livestock; knowingly buying, receiving, or offering for sale diseased animals; refusal or failure to comply with sanitary regulations; refusal or failure to keep the required records, or to permit inspection thereof; violation of laws covering the interstate or intrastate movement, shipment, or transportation of livestock, and the receipt or sale of livestock with the knowledge that it has been stolen; failure to maintain proper scales; fictitious sales; collusion to defraud a consignor, producer, or purchaser; or failure to withhold the sales proceeds of livestock to which the title is questionable. The administrative officer or body administering the statute is authorized by statute, in most instances, upon proper notice, to hold investigations and hearings concerning alleged violations of the statute and the regulations, and for the purpose of determining if a license should be suspended, canceled, or revoked. In nearly all cases the licensee has the right to appeal from an adverse decision to a State court.

Sales places, in a number of instances, must meet certain sanitary regulations of the administrative officer or body, and may be inspected by veterinarians appointed for that purpose. Some of the States make provisions for inspection and regulation of scales by the administrative officer or body, and several States also provide a penalty for using condemned or sealed scales.

In nearly all States a licensee is required to keep yearly records which shall be open for inspection. For a more detailed discussion on the requirements of keeping records, see p. 85.

In nearly all States having regulations governing auctions, all livestock sold is required to be inspected by a veterinarian appointed by the appropriate State administrative officer or body. This veterinarian is required to deliver a health certificate to the purchaser. In some States an operator or licensee must warrant the title of the livestock to the purchaser and, if the title is questionable, he is required to withhold the sales proceeds for a stated period. Unless the title is cleared during that period, he remits the proceeds to the responsible administrative officer or body and upon doing so he is thereby relieved of further responsibility.

The Indiana statute contains an antitrust provision making it unlawful for "any two or more buyers of livestock in this State to combine, conspire, or otherwise act together, directly or indirectly, under any agreement, understanding or arrangement, plan or device, to divide up or restrict the part or parts of this State in which such

respective buyers shall operate, with the intention and for the purpose of eliminating or substantially lessening competition * * *.”

In North Dakota it is provided that, upon the insolvency of a live-stock dealer, the Board of Railroad Commissioners acts as trustee for the creditors and attends to the liquidation and settlement of claims against the insolvent dealer.

Variations in the statutes are occasioned by the fact that each State had particular situations which it desired to regulate.¹⁰

Summary of Regulations in States Studied

Missouri is the only one of the 14 States, in which this study was conducted, which had no statutes or regulations governing sanitary measures for preventing and suppressing disease at community sales. Kentucky has only one regulation directed at auction markets; namely, that all sheep released from such markets, except for immediate slaughter, must be dipped.

Sanitary Regulations

At 156 of the 176 auctions which reported on methods of sanitation employed to prevent the spread of disease, the management stated that the premises were cleaned regularly. All but 28 of these reported that the pens also were disinfected after each sale. One auction reported no disinfection of pens, and 6 no sanitary measures of any kind. Although auction operators may clean and disinfect regularly after each sale, there is still a chance for disease to spread, for at most of the auctions the pens have dirt, cinder, or gravel floors, which are difficult to clean and disinfect effectively.

Trucks also may spread disease in moving livestock to and from auctions. Some States provide by law for the cleaning and disinfecting of trucks as well as auction premises. The Ohio regulations regarding this are as follows: “Each dealer or broker or his or its agent leasing, renting, operating or owning livestock yards, pens, premises or vehicles in which animals are quartered, fed, held, or transported shall be required to have a veterinarian approved by the department inspect all such yards, premises and vehicles and to thoroughly and

¹⁰ Listed below are States having in 1937 statutes regulating livestock auctions, with statutory citations:

State and citation:

- Arkansas: Pub. Act 206, 1937 Session Laws of Arkansas.
- Colorado: Chap. 258, 1937 Session Laws of Colorado.
- Georgia: Pub. 383, 1937 Session Laws of Georgia.
- Indiana: Chap. 203, 1935 Session Laws as amended by Chap. 179, 1937 Session Laws of Indiana.
- Kansas: Chap. 262, 1937 Session Laws of Kansas.
- Michigan: Pub. Act 284, 1937 Session Laws of Michigan.
- Montana: Chap. 52, 1937 Session Laws of Montana.
- Nebraska: Chap. 127, Laws of Nebraska, 1937.
- North Dakota: Chap. 5, Session Laws of North Dakota, 1937.
- Ohio: Pub. 437, 1935 Session Laws as amended by Pub. 696, 1937 Session Laws of Ohio.
- South Dakota: Chap. 167, 1937 Session Laws of South Dakota.
- Wyoming: Chap. 47, Session Laws of Wyoming, 1937.

completely disinfect all such yards, pens, premises and vehicles under the direction of the veterinarian and as prescribed by the department." (Throckmorton's Ohio Code Annotated 1936, secs. 1177-78.) One of the most important factors in controlling disease at auctions is the cooperation of auction operators and local truckers in thoroughly cleaning and disinfecting their equipment.

Supervision and health inspection.—Eleven States require that the sales ring be cleaned and disinfected under the supervision of an approved veterinarian. Nine of these States require all livestock offered for sale to be inspected by an approved veterinarian, with the exception in some States of livestock sold for immediate slaughter. Georgia and California require such inspection for hogs only. A health certificate is issued by the inspecting veterinarian in seven States, and in an eighth the certificate is issued if requested by the purchaser.

All dairy and breeding cattle, except those for immediate slaughter, imported into Georgia, Iowa, Michigan, Montana, and Virginia must have been tested for Bang's disease unless they come from an accredited Bang's-disease-free area. Virginia has a regulation prohibiting intrastate shipment into Bang's-disease-free areas unless the cattle have been tested and show a negative reaction (fig. 26).

Regulations issued by the United States Department of Agriculture governing the interstate movement of livestock, provide that all breeding cattle intended for interstate shipment must be subjected to a tuberculin test within 60 days prior to shipping. A tuberculin test chart and health certificate, showing the cattle to be free of tuberculosis, must accompany such animals as are received for shipment. These regulations do not apply to cattle intended for immediate slaughter or for feeding or grazing purposes.

Vaccination for cholera of all hogs offered for sale, except those sold for immediate slaughter or accompanied by an affidavit showing them to have been vaccinated, is required in 9 of the 14 States. All hogs imported into the State, except those for immediate slaughter, must be vaccinated in California, South Dakota, Iowa, Kentucky, and Ohio. Montana provides for vaccination of all hogs known to have been exposed to the disease.

Sheep imported into Iowa, Kentucky, Ohio, and South Dakota must be dipped. During winter months some modification of these regulations is allowed by special permission of the Sanitary Commission. In Michigan all imports for breeding or grazing purposes between March 31 and October 1, except by written permission of the commissioner of agriculture or State veterinarian, must be dipped. This does not apply to sheep imported for feeding purposes between August 31 and May 1. Sheep offered for sale, for other than immediate slaughter purposes, must be dipped in Kentucky. Kansas and South Dakota require dipping if sheep are infected or have been

REGULATIONS

Livestock Entering and Leaving Stockyards

CATTLE.

1. All male or female cattle 6 months of age or over, originating in other States, shall be accompanied by a health certificate, including tuberculin and Bang's disease tests.

Note: Before this class of cattle are moved from these yards, for any purpose other than immediate slaughter, they shall be retested for Bang's disease and shall be held in quarantine until the test is completed or the animals sold and moved for immediate slaughter.

2. All male or female cattle 6 months of age or over, originating in this State and offered for sale through these yards, that may be sold into a county in which all cattle have been or are being tested for Bang's disease, shall be tested for Bang's disease and accompanied by a certificate or satisfactory evidence furnished that they have been tested, or be held in quarantine in these yards until a test for Bang's disease is completed, or the animals sold and moved for immediate slaughter. Such necessary tests to be made at the expense of the owner.

HOGS.

3. Hogs entering these yards and sold for any purpose other than immediate slaughter must be accompanied by a satisfactory health certificate and shall be tagged with a metal tag, or be quarantined and vaccinated by the serum alone method before they are sold. Such necessary vaccinations to be made at the expense of the owner.

SHEEP.

4. All sheep entering these yards, originating in other States, which may be sold for other than immediate slaughter purposes must be accompanied by a certificate of health. Sheep affected with scabies will be immediately quarantined and caused to be dipped twice at an interval of from 10 to 14 days. Such necessary dipping to be done at the expense of the yards.

Violations of This Quarantine Will Be Prosecuted According to Law

By order of:

THE VIRGINIA STATE BOARD OF AGRICULTURE

H. C. GIVENS,
State Veterinarian.

FIGURE 26.—A FORM OF REGULATIONS POSTED BY AN AUCTION IN VIRGINIA.

Some auction markets are operating under close supervision of their State Department.

exposed. Virginia requires a health certificate for sheep entering the State, and Montana quarantines all incoming sheep.

Administrative Regulations

Licensing of operators.—Twelve of the 14 States studied require auction market operators to obtain a license. Fees for these licenses range from \$5 to \$100, with only 1 State making no charge. The license in most cases must be renewed annually by payment of the regular fee. Ohio makes no charge for its license, and the license is effective until such time as it may be revoked.

Bonding of operators.—Eight States require auction operators to carry bonds, but there is great variation in the amount required. Colorado requires only \$1,000 while Ohio has a sliding scale ranging from \$1,000 to \$35,000 depending on the amount of business transacted. Nebraska has a minimum bond of \$2,500, but if the average day's gross sales exceed \$5,000 the bond is increased to equal the average amount. Montana requires a \$10,000 bond for each auction.

Keeping of records.—Eleven States specify that auction-market operators must keep records of each transaction. In most instances the record must include the date of receipt and sale of the livestock, name and address of both buyer and seller, number and species of animals, marks and brands, if any, and license number of the vehicle in which the stock was brought to market. In most instances, each transaction is required to be recorded in triplicate and one copy thereof given to the buyer, and another to the seller. Virginia requires that the operator also render a statement of all charges paid by the consignor.

Weighing.—Four of the 14 States specify that, when livestock is sold by weight, the scales must be inspected regularly and tested for accuracy. Ohio requires inspection once every 3 months and one or more weighmasters must be employed, unless fewer than the equivalent of 10 carloads of livestock is handled annually. Each weighmaster must be bonded for \$1,000.

Brand inspection.—Colorado, Nebraska, South Dakota, and Montana require official brand inspection. The auction operator must keep a record of the brand on each animal handled at the auction.

Title warranty.—Colorado requires the auction operator to warrant the title to all livestock sold. Montana auction operators must hold the sales proceeds for not more than 60 days, if there is any question as to the title. Then, if title is not established, the operator must turn over the proceeds to the secretary of the State Livestock Commission.

Viewpoints of Producers and Others Toward Auctions

TO SUPPLEMENT and check the data obtained from personal observation and from interviews with auction operators and others, more than two thousand producers were approached either personally or by mail. They were asked to state their opinions of the auction method of marketing livestock and the extent to which they used it. Producers who had not used the auctions, as well as patrons, were questioned.

More than three-fourths of the 2,128 producers reporting had patronized the auction sales. To ascertain further if the reactions represented those of the average farmer or ranchman, ownership of farms was determined. Reports from 2,082 producers showed that 49 percent owned their farms, 32 percent owned farms and rented additional land, while 18 percent were tenants, and 1 percent had an interest in the farm, such as that of a partner or a manager. The size of farms varied from less than 100 to more than 10,000 acres. Seventy percent reported farms of less than 500 acres, 15 percent from 500 to 999 acres, and 15 percent had 1,000 acres or more.

Where Farmers Sell Livestock

Through the interviews an effort was made to ascertain the importance of auctions as a method of marketing livestock, and the classes and grades of stock generally sold through these sales.

A summary of the methods of marketing used for 627,357 head of livestock appears in appendix A, table 26, and is also illustrated by figure 27. The most common method was sale through the public stockyards markets. This was followed by sale to local buyers, to farmers, and to packing plants. Auctions were the least important of the market outlets. Cattle and calves were the most numerous of the livestock marketed through auctions and sheep and lambs least numerous. Many producers used more than one method of marketing.

To determine the proportions of the different kinds of cattle, calves, hogs, and sheep sold at various types of markets, information was assembled covering the sale of 195,268 head of livestock by 989 producers in 1936.

Analysis of these data indicates that generally a greater percentage of veal calves, stock calves, and feeder cattle was marketed through auctions, while a higher percentage of slaughter cattle was sold through

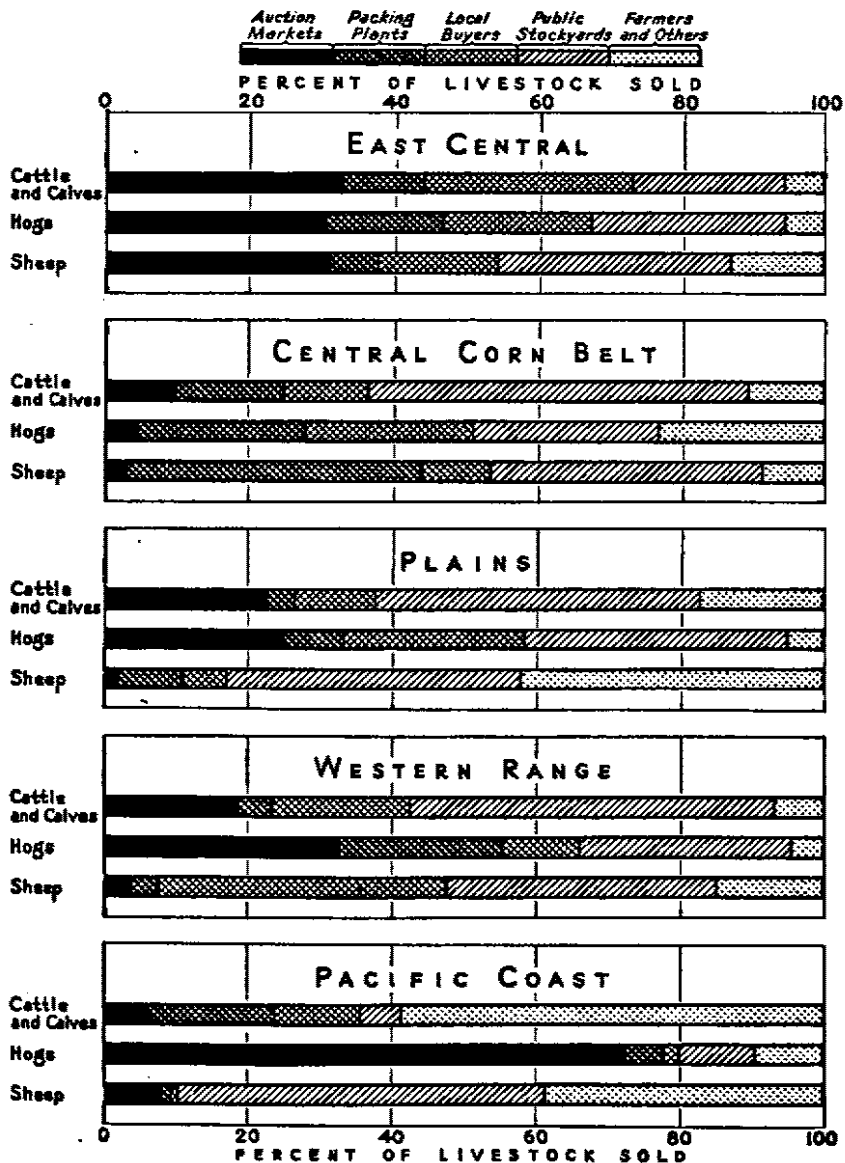


FIGURE 27.—METHODS USED BY 3,662 FARMERS IN SELLING LIVESTOCK

The importance of auction markets varied by regions and by species of livestock. The most prevalent combination was that of public stockyards markets, auctions, and local buyers.

public markets. However, the percentages varied greatly by sections as shown in appendix A, table 27. The principal markets for slaughter cattle were packing plants in the East Central and Pacific Coast States; and public stockyards for the central Corn Belt, the

Plains, and the Western Range States. Principal outlets for feeder cattle were auction markets in the East Central and Plains States, public stockyards in the Western Range States, and farmers in the central Corn Belt and on the Pacific coast. For veal calves, auctions were most important in the East Central States; packing plants in the Plains States; public stockyards in the central Corn Belt; and local buyers on the Pacific coast. Most of the stock calves were sold through auctions in the Plains section, to local buyers in the East Central and Western Range States, and to farmers in the central Corn Belt and Pacific Coast States.

Auctions were preferred in selling feeder hogs, with direct-to-farmer sales of next importance. Public markets formed the principal outlet for slaughter stock, although auctions, packing plants, and local buyers were also important. Breeder hogs were sold largely direct to farmers, with auctions next in line. The importance of these marketing agencies varied by sections, however, as shown in appendix A, table 27. Public stockyard markets sold the highest percentage of slaughter hogs in the East Central, Corn Belt, and Western Range States; auction markets on the Pacific coast; and packing plants in the Plains States. For feeder hogs, auctions were the principal markets in the Plains, Western Range, and Pacific Coast States; farmers did most of the buying in the central Corn Belt; and the public stockyard markets were the most important outlets in the East Central States.

Methods used in marketing different kinds of sheep and lambs are also shown in appendix A, table 27. Public stockyard markets were outstanding in the sale of slaughter lambs; auctions and packing plants were of secondary importance. Feeder lambs and sheep were sold direct to farmers, for the most part, with local buyers next in importance.

Further analysis of these marketings shows that in the central Corn Belt public stockyard markets were the most important outlet for sheep. In all other sections farmers were the principal buyers. Slaughter lambs were sold most extensively through auctions in the East Central States, and through public stockyard markets in all other areas. Farmers bought most of the feeder lambs in the Plains and Pacific Coast States, and local buyers in the Western Range States.

Where Farmers Purchase Livestock

Farmers apparently use the auction to a greater extent in purchasing than in selling livestock, as indicated in appendix A, table 28, and by figure 28. More than 50 percent of all purchases of livestock, however, were made from other farmers. Public markets were next

in importance as places to buy cattle and sheep. Auctions were used most extensively in the purchase of stock hogs.

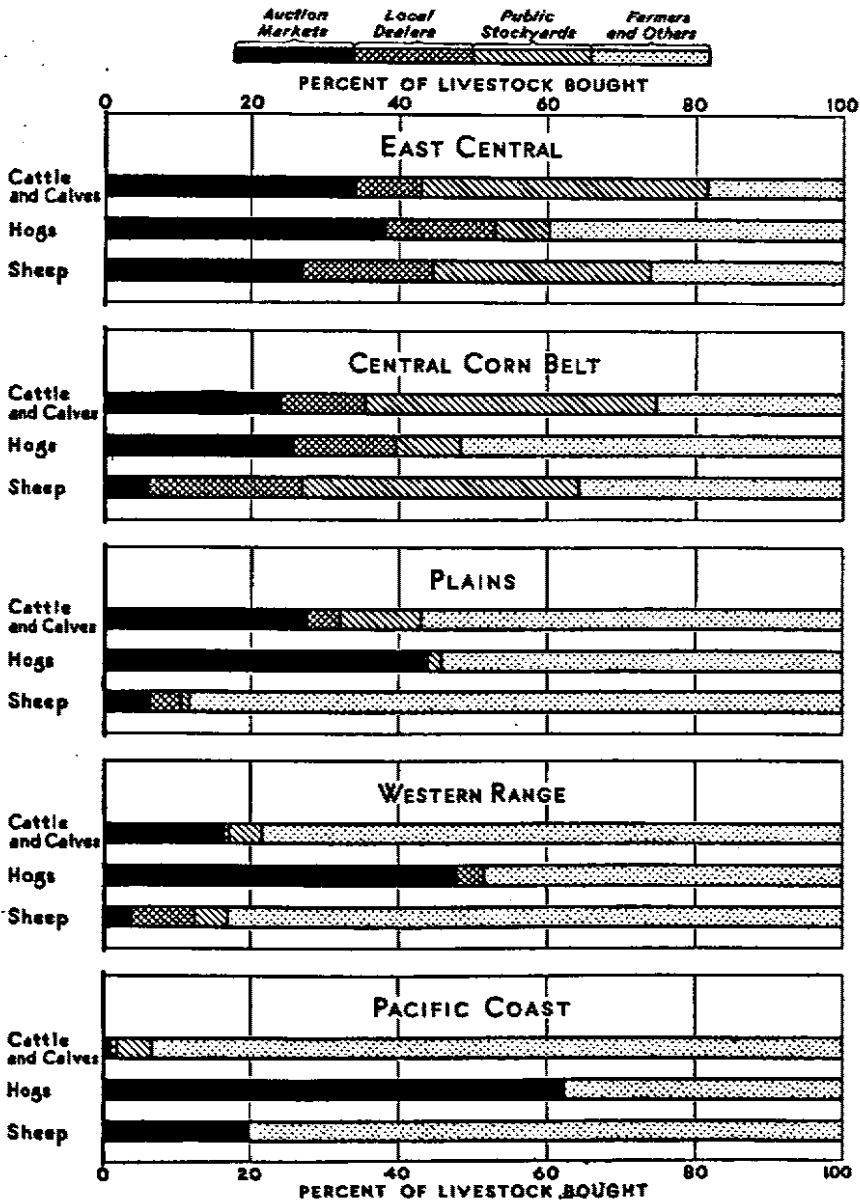


FIGURE 28.—PURCHASING METHODS USED BY 2,208 FARMERS.

Auction markets are important agencies used in purchasing feeder cattle and hogs in the East Central, central Corn Belt, Plains, and Range States.

Producers' Attitudes Toward Auction Marketing

A summary of answers to the question, "What do producers think of the auction method of marketing livestock?" shows that 76 percent of 1,824 farmers reporting were favorable toward the auctions, while only 24 percent were unfavorable. Some of those who reported favorably stated that auctions were better for the sale of certain classes of stock than for others. In general, however, farmers favored the auction method of sale.

Producers gave various reasons for favoring the auctions. Satisfactory price was the most common reason given. Another reason was that auctions offer a place of exchange for feeder and breeder livestock and an outlet for low-grade stock. Other reasons were active competition of buyers at the auction, opportunity of consignors to protect themselves against low bids, convenience of a nearby market, prompt cash payment, light shrinkage, and direct contact with packers and other buyers. Dissatisfaction with certain practices at terminal markets, such as relatively high feed and yardage charges, fluctuating market prices, and the indifferent attitude shown producers by some stockyard employees, were also partly responsible for their interest in auction selling.

The social feature of the auctions is important, as farmers and their wives congregate there and visit with friends and acquaintances from other farming communities. Also, many of the women were interested in the sale of second-hand household goods.

Criticisms of Auctions

Although the majority of the farmers interviewed showed a generally favorable attitude toward auction marketing, they made a number of criticisms, the most important of which may be summarized as follows: The most common criticism made was the danger of spreading of livestock diseases through auctions. Of 2,268 producers who expressed opinions regarding this danger, 44 percent believed that auctions spread disease, 34 percent felt that they do not, and 22 percent qualified their statements by saying that some do and some do not, or that auctions do not spread disease if properly operated. Approximately 92 percent of the producers were in favor of general inspection of livestock at these markets and of vaccination of hogs against cholera. Seventy-seven percent thought that sheep should be dipped, and 93 percent favored testing of cows for Bang's disease.

Other criticisms included unsatisfactory prices, excessive selling charges, heavy shrinkage, inferior quality of livestock offered for sale, lack of confidence in auction operators because they sold their own

stock, favoritism shown traders, fictitious sales, misrepresentation of stock sold, bybidding, selling of stale stock, lack of real buyer competition, and misleading advertising and market-price information. A few breeders of purebred stock also commented upon the detrimental effect of the auction upon the outlet for good breeding stock.

Permanency of Auctions

The auction method of sale will continue as a permanent method of marketing, according to the opinions of 76 percent of 2,763 producers reporting. Only 18 percent felt that it would not last. The other 6 percent were of the opinion that auctions would become permanent if they were properly supervised and controlled.

Auctions as Price Registering Points

Even though producers appear to be favorable to the auction method of marketing, most of them base their ideas of what their livestock is worth upon the market quotations received from public stockyard markets. Replies from 1,839 producers indicate that 78 percent of them use public market quotations as their main guide in evaluating their livestock. Others reporting used auctions, traders, interior packers, and concentration yards as their sources of market information, although many of these farmers used public market information as well.

Attitudes of Nonproducers Toward Auctions

Auctions have gained much of their popularity through the support given them by interested parties other than producers. Traders like auctions because they offer another place to buy and sell livestock. Nearby auctions save them transportation and other expense. Auctions also afford a place where traders can meet scores of people and develop contacts for future operations.

Truckers also like auctions. Auctions help their business. They haul stock from farmer to auction, from auction to auction, from auction to public market, from auction to farm, and frequently from public market to auction.

Townpeople favor the auction because it brings the farmers to town and releases cash for purchases from local merchants.

Auctioneers are naturally in favor of the sales, because auction selling is their way of making a living. It puts them before the public and this brings them both public auctions and private farm sales to cry.

Appraisal and Conclusions.

INCREASE in the number of livestock sold at local auctions is one of the outstanding features in the recent trend toward decentralized marketing of livestock. Because of this widespread development, it seems desirable to analyze and to appraise the auction method of marketing from the standpoint of its usefulness to livestock producers and its effectiveness as a marketing agency for slaughter, feeder, and breeder stock.

From a study of the facts brought out in this analysis, it appears that the auction method of marketing is likely to continue as an important part of our livestock-marketing machinery. Under certain conditions and in some locations, auction markets, operated honestly and intelligently for the producers' benefit, may perform a worth-while service and offer certain advantages over some other methods of marketing. On the other hand, the usefulness of this method is limited by certain inherent weaknesses.

Auctions have an attraction for farmers. They like to see their stock sold and to compare prices received for stock of different classes, weights, and quality. The attraction of a local market, however, may be more than offset by low prices and by unsatisfactory marketing practices. The authors, therefore, have attempted to set forth objectively the advantages, disadvantages, and future possibilities of the auction system of livestock marketing.

Advantages of Auction Selling

Auctions afford an opportunity for open competitive bidding in contrast with private-treaty individual sales between individual producers and buyers or transactions between salesmen and buyers at public markets. Although the competition may not be as open and active at the auction as the producer thinks it is, it may present a better situation for the farmer than when he sells individually to a well-informed trader or packer-buyer. Furthermore, farmers like to feel that they are a part of the auction show and help to make the "wheels go 'round."

Auctions offer a convenient cash market for odd lots of livestock as well as an opportunity to sell and exchange household goods and miscellaneous articles. In many sections they appeal to the small producer by offering a local marketing service where no local shipping association exists.

Among the most useful services rendered by auctions is the exchange of locally produced feeder and breeder animals. Stock of this class formerly was shipped to a public stockyard market by one farmer and possibly purchased and shipped back into the same or an adjoining

community by other farmers. Some auctions also offer feeder stock from the western ranges.

A number of successful auctions sell fat stock in pooled lots according to grade. In some ways this method is superior to those used in many public markets.

When auctions have a large volume of business, they attract buyers by offering a wide selection of stock. Large volume centralized at one point also makes possible reduced buying costs. A part of this saving might be passed on to producers in the form of higher prices for livestock.

Disadvantages of Auction Selling

Auctions, as operated today by many operators, present some weaknesses which detract from their efficiency as marketing agencies. Unless these weaknesses are corrected, they will tend to destroy much of the auction's usefulness. Some of these disadvantages may be: Expense of marketing; unsatisfactory buying conditions; unethical selling, buying, and weighing practices; rough handling of livestock; lack of buying competition; financial instability; danger of spreading disease; lowering of quality of breeding stock; sale of stolen stock; and decentralized selling.

Expense of Marketing

Farmers generally fail to realize that auctions are not a cheap means of marketing livestock. Commissions and other charges are in many cases as high as or higher than similar charges at public markets, especially for stock sold in large lots and for the heavier and the higher priced classes of livestock.

The buying expenses of packers, per unit purchased, are generally higher at auctions than at public markets.

The investment in facilities, which are generally used only once a week, is frequently excessive. Altogether the cost of maintaining hundreds of these small local markets constitutes a burden on the livestock industry. In many instances livestock moves from auction to auction or from auction to public market and thus adds an additional marketing cost with little or no benefit to the producer. In addition, if one takes into account the time put in by all those attending the sales, the cost becomes startling. Auctions fascinate many people, and a clever auctioneer puts on a good show, but even a good show may be too costly.

Unsatisfactory Buying Conditions

Numerous instances were noted in which both farmers and packer-buyers had difficulty in purchasing stock of uniform quality in any

numbers, because the livestock is generally offered in small, ungraded lots. From the feeder's standpoint, too often he purchases an uneven lot of animals which do not mature uniformly. From the angle of the packer-buyer, the number and kind of livestock available for purchase varies widely and, in many instances, it is difficult to purchase full loads of the kind and quality desired.

Unethical Selling, Buying, and Weighing Practices

In some instances, auctions are so controlled by traders, auction operators, and auctioneers that the auctions serve largely as centers for their trading operations rather than as reliable markets for farmers. Bybidding, or bidding in for their own account, is practiced extensively by dealers, auction managers, or their friends. Likewise, the buying of stock before the sale by dealers, auction operators, or auctioneers, and the selling of stock owned by these interested parties in competition with farmer-consigned stock afford opportunities for unfair selling practices.

Fictitious bids and sales are among the undesirable features of auction operation. Auctioneers sometimes make fictitious bids in order to run up the price on stock they are selling. Another practice followed by some auctions is to pick out a few head of livestock and sell them at fictitious, or out-of-line prices, frequently to themselves, and then quote these prices as top sales at the auction.

Another unethical practice is misrepresentation of livestock. Such methods cause patrons to lose confidence in the auction management.

Farmers complain that regular dealers and large operators get preference; that rings of traders usually get the bargains in farmer-consigned stock; and that, when outsiders or farmers start to bid, the traders try to run up the price on them.

Sales of livestock on a head basis is another undesirable feature at some auctions. Farmers generally are not as good judges of weights as are trained traders or packer-buyers. Furthermore, much of the stock offered by traders and sold on a per head basis has already been weighed, and this gives the seller the advantage.

The weighing of stock light, as reported from several sources, for the purpose of attracting and holding packer and trader business is another undesirable practice of some auctions. Sometimes this method of weighing is used to give the appearance of higher prices per pound for the producer. In this way producers are influenced unduly in favor of auctions as compared with other methods of sale.

Rough Handling of Livestock

Rough handling of livestock is a common practice at some auctions. This tends to restrict the number of buyers, as neither packers nor other purchasers want bruised animals.

Lack of Buying Competition

Many small auctions have neither a dependable volume nor a large selection of livestock. At some large auctions slowness in selling numbers of small consignments caused the sale to continue far into the night, sometimes as late as 4 or 5 o'clock the next morning. By this time most of the farmers had gone home and only a small number of traders and other buyers were present. This tended to limit the competition and left the buying to a relatively few trader-and-packer buyers. Buyers at times fail to attend auctions when the weather is inclement, or during periods of declining prices. All these factors result in restricted buying competition. In numerous instances only one or two buyers have been present at an auction. This places the management in the position of having to permit buyers to take the stock at their own price or having to purchase the stock and assume a speculative risk. Unless an auction can attract sufficient buying support for slaughter, feeder, and breeder stock, it cannot develop as a satisfactory marketing center.

Financial Instability

Present bonding requirements are inadequate in many cases to protect consignors against possible loss. This is more evident when the highly speculative nature of the business handled by some operators is considered. Too many auctions are inadequately financed. Losses sustained by producers to date have not been heavy, but there is no certainty that they will not be in the future. More adequate protection against loss to consignors is needed at most auctions.

Emotional Appeal to Inexperienced Farmer-Buyers

Emotional appeal or social pressure is important from the standpoint of farmers buying at an auction. A quick-witted, glib auctioneer can sometimes lead the unwary bidder to pay more for an animal than its true value or more than his good judgment dictates.

Too often the untrained and uninformed farmer-buyer bases his judgment of the amount he bids upon what others are offering. Even if his emotions do not affect his judgment, the farmer often lacks the

information necessary for purchasing to advantage. This is especially true when stock is sold by the head rather than by weight.

Furthermore, at some auctions many patrons cannot get a good look at the animals offered for sale, because the sales ring is filled with traders and hangers-on. At many auctions, stock is run through the ring so rapidly that farmers are not able to bid on it intelligently. As a safeguard against this weakness, some farmers might find it profitable to employ a trained buyer to represent them in filling their orders at auctions.

Danger of Spreading Disease

One of the worst features of auction marketing in some States has been lack of enforcement of strict sanitary regulations, and this has sometimes resulted in spread of disease. Considerable progress has been made toward correcting this condition but concrete floors and proper means of cleaning and disinfecting pens, barns, and trucks are still lacking at many auctions.

Lowering of Quality of Breeding Stock

All branches of the industry, from producer to packer, should be interested in an improved livestock production program. In too many ways, however, auctions appear to lower rather than to improve the quality of livestock used for breeding purposes, because of the large volume of low-grade stock kept in circulation throughout the country.²⁰

Prices paid at auctions for inferior breeder stock establish a low market value for good purebred stock. This discourages the breeder of pure-bred stock, who, rather than sell at a price little better than that received for scrub stock, fattens his surplus breeding stock for slaughter. The lack of proper guarantee on breeding stock is another bad feature. Patrons must buy too often at their own risk and trust to their hasty judgment to avoid purchasing defective or diseased animals.

Sale of Stolen Stock

Lack of proper regulations at some auctions makes them ideal places for the sale of stolen livestock by dishonest dealers. In some sections, especially in the West, this practice has led to the enactment of regulatory measures for the protection of livestock producers.

Decentralized Selling

Development of the auction has scattered the producer's volume of livestock into a large number of uncoordinated selling outlets, few

²⁰ See reference cited in footnote 18.

of which are under his control. From the standpoint of organized selling, this system tends to lessen the producer's bargaining power and duplicates much of the present marketing machinery. Many local auctions have been established by private operators for their own profit, or by local chambers of commerce to draw trade to their towns, with no thought as to whether the auction itself was needed. As a result, in certain areas, too many auctions have been established to insure adequate volume for any of them.

Effect of Auctions on Other Marketing Agencies

Auctions have affected the operations of local dealers, local cooperative shipping and marketing associations, packing-plant buyers, and public markets in a variety of ways. In many places the old-style local buyer has been displaced by a new group of rather irresponsible truckers and auction traders.

In some communities, auctions have largely replaced local shipping associations; in others, they have supplemented the shipping associations. In the East Central States, especially in Kentucky, Tennessee, Virginia, and West Virginia, auctions are active competitors of local as well as terminal marketing agencies.

In areas adjacent to interior packing plants and to small butchers, the auction has forced these buyers or their representatives to compete more openly for livestock than when they dealt directly with the farmer at the packing plant or at a packer's concentration yard.

In several western Plains States, as well as in the eastern Corn Belt and the Appalachian sections, auctions are active competitors of public markets. On the other hand, auctions in the Middle West are primarily places for the sale and exchange of small lots of locally produced feeder, breeder, and low-grade butcher stock. Most of the finished stock goes to public markets or direct to packing plants.

Auctions in western Plains States handle a large volume of feeder and breeder stock, though much of this kind of stock formerly came to terminal public markets. Auctions in the East and in California have developed as market centers for fat livestock, as well as for other classes. In the Middle West there is a flow of certain classes of slaughter stock such as veal calves, butcher stock, and some fat hogs, from the auctions to the terminal markets. There is also a movement of feeder stock back from the terminal markets to the auctions through trader channels.

Auctions as Cooperative Enterprises

Cooperatives have so far played a minor role in the development of auctions for marketing livestock, except in Ohio and California where a limited number of cooperative auctions have been in operation for years. The growing importance of auctions, over a wide area,

however, is a matter which directly affects cooperatives and may no longer be overlooked by them.

Can cooperatives improve their marketing services and increase their volume of business by adopting some of the desirable features of the auction sale and eliminating some of its abuses?

Unquestionably, auctions attract farmers in general, not only from a social standpoint, but also because the auctions are convenient assembly points for the sale and purchase of livestock on a competitive basis. These facts offer some possibilities for the building of local or regional associations around such assembling and marketing centers. In fact, the California Farm Bureau Marketing Association, with cooperative auctions at five local points, appears to have been successful in their operation over some 20 years.

The pooling and grading method used by some large and successful auctions represents a desirable feature which might be adapted for the use of the cooperatives at public markets. There also appear to be possibilities for economies in marketing livestock through centralizing the sale of graded lots by auction at large local and terminal public markets, in contrast with present methods of private-treaty sale (arranged privately between individuals) by large numbers of dealers and salesmen at these markets.

Some characteristics of the auctions as operated, however, are not adapted to cooperative effort. Among these are the speculative risk involved and the possible competition from auctions that follow unethical selling and weighing practices, and publish misleading price information.

The relatively high cost of facilities is another reason for lack of cooperative development in the auction field. Most auctions use their plant equipment and labor only once a week. Furthermore, much of the auction development has duplicated established marketing machinery. With the exception of being a clearing house for stocker, feeder, and breeder animals, in too few instances has there been sufficient improvement over existing marketing methods to justify their existence from an economic standpoint.

Regardless of their weaknesses, however, auctions do present possibilities for cooperative effort. This is especially true in the sale of feeder and breeder stock, and in certain sections adjacent to interior packers and small butchers, where the auctions offer a more satisfactory method of selling fat stock than is provided through some other channels.

Cooperatives might consider supplementing some of their present marketing methods by the use of auctions. Cooperatives might consider carefully the feasibility of establishing a few large auctions either at country points or at central markets where adequate sales

demand, especially for the feeder stock, is assured and proper supervision and regulation of weighing, bonding, and operating practices are already present.

Before organizing a cooperative auction, a thorough survey should be made to obtain information as to the success of similar sales in other places, the attitude of producers toward such an enterprise, the most favorable location for the sale, the availability of both truck and rail transportation, reliable and adequate sales outlets for livestock, cost of construction and equipment, extent of present competition, and the approximate amount of capital needed to establish and operate such an agency.

Auctions at Terminal Markets

Auctions as yet have been given only a slight chance to demonstrate their worth at public terminal markets because of opposition from dealers and commission merchants. Nevertheless, they do appear to offer some possibilities in the field. Efficiently and honestly operated large auctions at the terminal markets might be a means of eliminating many of the smaller inefficient markets and offer a means of attracting increased volume to these public market centers. This might result in a more open competitive market situation and at the same time reduce marketing costs to producers.

To operate on a terminal public market, however, the auction would need improved sorting and weighing facilities, as much of the stock would be graded and pooled before sale, to expedite selling and to attract buyers desiring graded lots.

The success of such auctions would depend upon the type of management and the support given by buyers and sellers. If successful, such auctions would tend to bring about a reduction in marketing expenses.

Possibilities for Future Development

The general view of livestock producers indicates that there is a place for a limited number of auctions, despite certain shortcomings and inefficiencies. Stockmen should consider carefully the services they render, the cost (all factors considered), their place as a part of the local livestock marketing set-up, and the number of auctions needed.

With modern truck transportation, only a limited number of auctions would be needed in most of the Corn Belt and East Central States. Even fewer auctions would be necessary in the more sparsely settled Plains and Range States.

With large volume, these auctions could operate with comparatively low selling charges. Competent veterinarians could be employed to

inspect the stock, to vaccinate the hogs, and to enforce rigid sanitation of pens, yards, and trucks. Stock could be sorted and sold in lots by grade and weight. Abuses in selling and buying operations could be largely eliminated by barring unscrupulous operators and by doing business on a scale large enough to assure adequate buying competition. Adequate and well-lighted sales rings and inspection pens and honest representation of all offerings would put farmers, as well as other buyers and sellers, on a more common footing than now exists.

These auctions would facilitate the exchange between farmers and between communities, of breeder stock, of animals not ready for slaughter, and of work animals. Naturally, such auctions would afford a convenient place for small feeders to buy feeder stock, if offered on a dependable basis.

Since public confidence and producer support are essential for permanent success, as well as honest and efficient methods of operation, no member of the auction personnel (manager, auctioneers, ringmen, or yardmen) should bid, buy, or sell through the auction. Or, if they must trade there in any way, their interest and participation should be disclosed fully in every instance. Bybidding is unfair and should be eliminated as far as possible. If desired, the seller may be allowed the privilege of refusing the final bid. Public confidence will be accorded only to operators of good character and financial responsibility.

Although the auction sales are as yet unproved in many sections as permanent livestock-marketing agencies, indications are that they are increasing in importance and that they appeal to farmers. As time goes on, the number will be limited to those which are well-managed, which have the confidence of the livestock producers, and are strategically located in the producing territory.

Farmers, who patronize these sales, should attempt to know their auction. For example, they should ascertain whether the owner, auctioneer, or any individual connected with the auction, is accustomed to sell for his own account livestock purchased either in the country or at the auction.

Because of the artificial atmosphere of the auction sale, the farmer-buyer needs to resist the feverish excitement which prevails and should not be swayed in his judgment of values by the rhythmic chant of the auctioneer.

Suggested Improvements

Livestock auctions in many localities are performing an important service for producers, but in other sections present operating methods and practices should be changed materially in the interest of the supporting producers. Some of the improvements needed may be summarized briefly as follows:

1. Increased operating capital; greater financial responsibility with adequate bonding for protection of consignors.

2. Sale of livestock in graded lots rather than as individuals, the grading to be done by unbiased parties, preferably State or Federal graders.

3. Selling and other costs on a uniform and equitable basis.

4. Improved and adequate facilities, constructed to be easily disinfected and cleaned.

5. Sufficient buying competition to establish a reliable market place for all grades of stock.

6. Modern scale facilities tested frequently by competent State or Federal authorities. All livestock, except possibly lightweight feeder stock, milk cows, and breeder stock, usually sold by the head, should be weighed by impartial bonded weighmasters.

7. More capable personnel; well-informed auctioneers with no financial interest in stock sold or bought at the auction.

8. Actual warranty furnished either by the auction operator or the consignor on all livestock sold for breeding or dairy purposes.

9. Regular buyers required to post bond to insure payment for livestock bought.

10. Sanitary regulations enforced, not only with regard to the auctions but also with respect to the trucks transporting livestock to and from the auctions or public markets.

11. Only bona fide sale prices and reliable market quotations published on a weight and grade basis.

12. Licensed auctions operated under State or Federal supervision.

It is true that some unethical practices followed at livestock auctions are found also at other markets. This was true of the terminal stockyard markets before the passage of the Packers and Stockyards Act of 1921 (42 Stat. 159) which placed these markets under Federal supervision and regulation. While the need for changes is still apparent in some operations at these markets, Federal supervision has caused marked improvement in operating practices and in protection of consignors. It would, therefore, seem equally desirable that all other markets including, private buying points, local markets, and slaughtering establishments, be placed under some form of supervision and regulation.

If all markets are required to operate on an equal footing, from the producers' interest, many of the apparent advantages of some markets will disappear. Honestly managed, efficiently operated auctions with sufficient volume of business to attract real buyers and to provide an active competitive market need not fear supervision but should gain through elimination of unfair competition in the marketing field.

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Appendix A

Basic Statistical Data

TABLE 22.—INSURANCE RATES FOR LIVESTOCK AT 66 AUCTION MARKETS IN 10 STATES, 1937

Insurance rate	Number of auctions reporting for—				
	Cattle	Calves	Hogs	Sheep	Horses
Cents per head:					
½		1	6	7	
1	10	9	17	10	2
1½	1	1		1	
2	9	8	4	6	3
3	7	7	2	1	2
5	4	3			12
10	1				8
15					1
Based on valuation:					
0.25 percent	3	3	3	3	2
0.5 percent	23	23	23	23	23
1 percent					1
1 cent per \$100	1	1	1	1	1
No rate stated	7	10	10	14	11
Total	66	66	66	66	66

Sources of data: Compiled from information obtained from auction operators. Auction markets are located by States as follows: Illinois, 2; Iowa, 17; Kansas, 4; Michigan, 12; Missouri, 1; Montana, 2; Nebraska, 8; Ohio, 6; South Dakota, 5; and Virginia, 11.

TABLE 23.—AVERAGE INCOME AND EXPENSE STATEMENT FOR 8 LARGE WESTERN AUCTIONS, 1937¹

INCOME

Source of income	Average annual income per auction		Percentage of total income	
Commissions:				
Selling.....	\$37,353		41.8	
Buying.....	1,324	\$38,677	1.5	43.3
Feed and bedding.....		32,123		36.0
Yardage.....		7,344		8.2
Profits from trading operations.....		5,041		5.7
Other income ²		6,067		6.8
Total.....		89,252		100.0
Net income.....		6,252		

EXPENSE

Expense item	Average annual expense per auction	Percentage of total expense
Salaries and wages.....	\$27,028	32.6
Feed and bedding.....	25,198	30.4
Office and administrative ³	8,659	10.4
Losses from bad accounts, and from lost, mixed, and damaged stock.....	6,014	7.2
Advertising, soliciting, travel, and automobile.....	5,986	7.2
Taxes, insurance, interest, bank service, and exchange.....	3,995	4.8
Yard and barn operating expense and repairs.....	1,586	1.9
Miscellaneous expense ⁴	4,534	5.5
Total.....	83,000	100.0

Average weekly income, \$1,716.

Average weekly expense, \$1,596.

¹ Gross value of livestock handled by 7 of these auctions averaged \$2,010,746 for the year.² Includes such items as discounts, recoveries from bad debts, unclaimed livestock, rent, dipping, and vaccinating.³ Includes rent, leasehold, telephone, telegraph, light, heat, water, claims, legal, auditing, and material and supplies.⁴ Includes such items as depreciation, veterinarian, dipping, vaccinating, donations, entertaining, cash shortage, and adjustments.

Source of data: Compiled from information obtained by authors.

TABLE 24.—AVERAGE INCOME AND EXPENSE STATEMENT FOR 28 LARGE AUCTION MARKETS, 1937¹

INCOME

Source of income	Average annual income per auction		Percentage of total income	
Commissions:				
Selling.....	\$22, 147		78. 7	
Other ²	274	\$22, 421	1. 0	79. 7
Feed and bedding.....		1, 970		7. 0
Yardage.....		1, 391		4. 9
Profits from trading operations.....		- 24		- . 1
Other income ³		2, 389		8. 5
Total.....		28, 147		100. 0
Net income.....		4, 311		

EXPENSE

Expense item	Average annual expense per auction	Percentage of total expense
Salaries and wages.....	\$10, 975	46. 0
Office and administrative ⁴	2, 922	12. 3
Losses from bad accounts, and from lost, mixed, and damaged stock.....	2, 305	9. 7
Feed and bedding.....	1, 727	7. 2
Taxes, insurance, interest, bank service, and exchange.....	1, 460	6. 1
Advertising, soliciting, travel, and automobile.....	1, 231	5. 2
Yard and barn operating expense and repairs.....	674	2. 8
Miscellaneous expense ⁵	2, 542	10. 7
Total.....	23, 836	100. 0

Average weekly income, \$541.

Average weekly expenses, \$458.

¹ Gross value of livestock handled by 27 of these auctions averaged \$1,033,725 for the year.² Service charge for insurances.³ Includes such items as discounts, recoveries from bad debts, unclaimed livestock, rent, dipping, and vaccinating.⁴ Includes rent, leasehold, telephone, telegraph, light, heat, water, claims, legal, auditing, and material and supplies.⁵ Includes such items as depreciation, veterinarian, dipping, vaccinating, donations, entertaining, cash shortage, and adjustments.

Source of data: Compiled from information obtained by authors.

TABLE 25.—SALES ATTENDED BY 885 PRODUCERS AND PERCENTAGE OF TIMES THEY BOUGHT AND SOLD LIVESTOCK, 1936¹

Attendance at sales	Producers Reporting		Percentage of producers who bought livestock a specified number of times						Percentage of producers who sold livestock a specified number of times					
	Number	Percent	None	1-5	6-10	11-20	21-30	31 and more	None	1-5	6-10	11-20	21-30	31 and more
1-5.....	311	35.2	82.9	17.1					54.7	45.3				
6-10.....	246	27.8	51.5	45.9	2.6				39.8	43.9	16.3			
11-20.....	185	20.9	33.9	48.3	14.9	2.9			24.6	46.9	19.4	9.1		
21-30.....	55	6.2	18.9	39.6	18.9	20.7	1.9		21.2	44.2	17.3	15.4	1.9	
31 and more.....	47	5.3	16.3	20.9	23.3	13.9	9.3	16.3	9.5	35.7	11.9	14.3	9.5	19.1
Irregular.....	41	4.6	44.7	55.3					48.6	40.0	11.4			
Total.....	885	100.0	54.9	34.9	6.2	2.6	.6	.8	39.6	44.5	10.8	3.6	.6	.9

¹ Of 1,014 producers reporting, 129, or 12.7 percent, stated they did not attend auction sales.

Source of data: Compiled from information obtained from farmers' schedules.

TABLE 26.—PERCENTAGE OF 627,357 HEAD OF LIVESTOCK SOLD THROUGH VARIOUS MARKETING AGENCIES BY 3,662 PRODUCERS, 1936

Section and type of marketing agency	Cattle and calves	Hogs	Sheep	Total
East Central States:				
Auction markets.....	32.5	30.2	30.8	31.1
Packing plants.....	11.3	16.1	6.9	10.7
Local buyers.....	29.0	20.7	16.5	21.0
Public stockyards.....	21.3	27.3	32.3	28.0
Farmers and others.....	5.9	5.7	13.5	9.2
Central Corn Belt:				
Auction markets.....	9.4	4.7	2.9	5.4
Packing plants.....	15.4	23.1	41.0	24.4
Local buyers.....	11.6	23.0	9.4	18.2
Public stockyards.....	52.6	25.9	37.9	33.8
Farmers and others.....	11.0	23.3	8.8	18.2
Plains:				
Auction markets.....	22.6	24.8	1.9	16.8
Packing plants.....	3.7	8.5	9.0	6.7
Local buyers.....	11.4	24.8	6.2	13.7
Public stockyards.....	44.8	36.8	40.6	41.2
Farmers and others.....	17.5	5.1	42.3	21.6
Western Range States:				
Auction markets.....	18.5	32.7	3.4	10.8
Packing plants.....	4.9	22.6	4.2	5.3
Local buyers.....	19.0	10.6	39.9	30.1
Public stockyards.....	50.6	29.5	37.5	42.5
Farmers and others.....	7.0	4.6	15.0	11.3
Pacific coast:				
Auction markets.....	6.1	72.2	7.9	44.6
Packing plants.....	17.7	5.6	1.3	10.1
Local buyers.....	11.9	2.0	1.0	5.7
Public stockyards.....	5.6	10.5	51.0	10.2
Farmers and others.....	58.7	9.6	38.8	29.4
Total:				
Auction markets.....	17.7	11.7	9.4	12.8
Packing plants.....	9.9	19.8	18.3	16.6
Local buyers.....	14.6	22.6	15.2	18.3
Public stockyards.....	44.8	27.4	37.2	35.0
Farmers and others.....	13.0	18.5	19.9	17.3

Source of data: Information obtained from producers' schedules. The number of producers reporting by counties was: East Central, 630; central Corn Belt, 2,348; Plains, 871; Western Range, 177; Pacific coast, 36. Percentages are based on 178,740 cattle and calves, 279,323 hogs, and 109,295 sheep and lambs. No reports were available from the South.

TABLE 27.—PERCENTAGE OF DIFFERENT SPECIES OF LIVESTOCK SOLD THROUGH VARIOUS MARKETING AGENCIES BY 989 PRODUCERS, 1936

Section and type of marketing agency	Cattle for slaughter	Feeder cattle	Veal calves	Stock calves	Hogs for slaughter	Feeder hogs	Breeder hogs	Sheep	Lambs for slaughter	Feeder lambs
East Central States:										
Auction markets.....	23.8	31.8	60.2	34.9	25.0	20.8	25.4	24.5	34.8	
Packing plants.....	26.6	2.7	5.8		19.4	9.1		17.4	13.7	
Local buyers.....	21.9	27.3	15.0	38.7	18.3	10.3	.4	12.4	17.3	
Public stockyards.....	24.4	21.9	16.8	8.9	34.8	41.4		15.8	33.5	
Farmers and others.....	3.3	16.8	2.2	17.5	2.5	18.4	74.2	29.9	.7	
Central Corn Belt:										
Auction markets.....	6.1	18.7	25.2	35.2	1.9	25.2	26.9	9.3	2.4	
Packing plants.....	10.6	1.0	22.9		27.6			.6	12.1	
Local buyers.....	10.8	18.4	14.7	16.5	24.1	18.5	10.3	5.8	10.8	
Public stockyards.....	67.7	11.7	32.6	11.3	36.5	2.8		68.5	74.0	
Farmers and others.....	4.8	50.2	4.6	37.0	9.9	53.5	62.8	15.8	.7	
Plains:										
Auction markets.....	17.4	63.7	24.9	43.9	8.7	44.5	26.5	2.3	.6	3.1
Packing plants.....	16.3	2.5	33.7		42.4	.3		.9	33.5	4.8
Local buyers.....	8.9	8.2	18.3	22.3	14.4	30.5	32.2	6.7	2.9	11.9
Public stockyards.....	55.9	12.4	15.0	13.9	33.7	1.1		.8	62.9	8.1
Farmers and others.....	1.5	13.2	8.1	19.9	.8	23.6	41.3	89.3	.1	72.1

Western Range States:										
Auction markets.....	11.3	19.4	52.8	29.4	26.5	59.0	34.8	2.3	1.1	6.8
Packing plants.....	10.3	.1	9.3		28.5			.9	.1	10.9
Local buyers.....	5.0	25.1	27.6	42.0	8.0	21.9	8.7	39.6	14.4	70.5
Public stockyards.....	71.1	48.8	9.6	7.8	36.9	1.3			84.4	
Farmers and others.....	2.3	6.0	.7	20.8	.1	17.8	56.5	57.2		11.8
Pacific coast:										
Auction markets.....	12.0	1.7	22.4		77.7	60.5	3.4		9.3	
Packing plants.....	59.6		7.5		7.6				1.5	
Local buyers.....	16.0	6.1	40.3	15.4	.4	6.9			1.2	
Public stockyards.....	11.8		29.8		14.2				60.1	
Farmers and others.....	.6	92.2		84.6	.1	32.6	96.6	100.0	27.9	100.0
Total:										
Auction markets.....	14.0	29.8	43.5	33.7	18.9	43.2	24.3	5.3	13.0	4.6
Packing plants.....	17.0	.9	13.5		24.6	.9		2.7	13.8	7.2
Local buyers.....	11.2	17.4	19.3	33.2	18.1	19.8	12.6	17.6	12.3	35.2
Public stockyards.....	54.9	27.4	20.8	9.8	33.6	4.7		7.5	60.3	4.9
Farmers and others.....	2.9	24.5	2.9	23.3	4.8	31.4	63.1	66.9	.6	48.1

Source of data: Compiled from information obtained from farmers' schedules. Percentages are based on 52,666 cattle and calves, 54,598 hogs and 88,004 sheep and lambs.

TABLE 28.—PERCENTAGE OF 164,760 HEAD OF LIVESTOCK BOUGHT THROUGH VARIOUS AGENCIES BY 2,208 PRODUCERS, 1936


Section and type of agency	Cattle and calves	Hogs	Sheep	Total
East Central States:				
Auction markets.....	34.2	38.0	26.8	31.7
Local dealers.....	8.6	15.0	17.7	13.9
Public stockyards.....	38.8	7.2	29.5	28.4
Farmers and others.....	18.4	39.8	26.0	26.0
Central Corn Belt:				
Auction markets.....	23.8	25.8	5.9	20.1
Local dealers.....	11.8	13.9	20.9	14.9
Public stockyards.....	39.3	8.7	37.5	27.1
Farmers and others.....	25.1	51.6	35.7	37.9
Plains:				
Auction markets.....	27.8	43.5	6.3	14.3
Local dealers.....	4.4	.4	4.2	4.0
Public stockyards.....	10.8	1.9	1.1	3.6
Farmers and others.....	57.0	54.2	88.4	78.1
Western Range States:				
Auction markets.....	16.4	47.9	3.7	8.2
Local dealers.....	.6	3.8	8.7	6.4
Public stockyards.....	4.6	-----	4.5	4.4
Farmers and others.....	78.4	48.3	83.1	81.0
Pacific coast:				
Auction markets.....	.7	62.4	19.8	7.6
Local dealers.....	1.0	-----	-----	.9
Public stockyards.....	4.8	-----	-----	4.2
Farmers and others.....	93.5	37.6	80.2	87.3
Total:				
Auction markets.....	23.0	28.1	7.4	17.9
Local dealers.....	8.6	13.2	12.7	11.4
Public stockyards.....	29.5	8.1	17.5	19.3
Farmers and others.....	38.9	50.6	62.4	51.4

Source of data: Information obtained from producers' schedules. The number of producers reporting, by sections, was: East Central, 180; central Corn Belt, 1,802; Plains, 124; western range, 83; Pacific Coast, 19.

Percentages are based on 56,393 cattle and calves, 41,247 hogs, and 67,120 sheep, or a total of 164,760 head.

Cattle		Live Stock Sales, Inc. 193	
Hogs		From	
Sheep		Pen	Marks
Calves		Buyer	Pen

FORM 4.—Scale ticket.



LIVESTOCK SALES, INC.

No 10999

000000 DOLLARS _____ DOLLARS

PAY TO THE ORDER OF _____

Handwritten Signature

PAYABLE THROUGH THE FIRST NATIONAL BANK BY _____

LIVESTOCK SALES, Inc.

Manager President Auditor

[Check Before Depositing]

•• SALE BILL ••

Date _____ LIVESTOCK SALES, INC. Phone _____

KIND	PEN	HEAD	MARK	WEIGHT	PRICE	AMOUNT	COM	NET
DEDUCTIONS—ACCOUNT DUE					INSURANCE ON LIVESTOCK 1/16			
					NET			

FORM 5.—Bill of sale and check.

_____ **LIVESTOCK SALES**
 INCORPORATED
 Phone _____

Pen	Kind	H. D.	Mark	Weight	Price	Amount

FORM 6.—Buyer's invoice or account of purchase.

_____ Commission Co.

Date.....

Released to.....

	Cattle	Horses
No. Head		
Pen No.		

By.....

Checked Out by.....

FORM 7.—Release order.

Appendix C

Recent Reorganization and Regulation of Livestock Markets in the British Isles

The first livestock auctions were being organized in Great Britain at about the same time that similar experiments were being made in the United States. Auctions were reported in England as early as 1836 and in Scotland, in 1849. The expansion of auction selling in England, Scotland, and Wales took place earlier than the corresponding movement in this country, and in 1938 sale by auction was the principal method of marketing livestock in Great Britain. In 1937, approximately 700 livestock auctions were operating in England, 70 in Scotland,¹ and 32 in Ireland.² For the most part auctions in the British Isles were established and operated by firms of auctioneers, and cooperatives have played a minor role in this field.

While livestock marketing methods in Great Britain in the past have been radically different from those in the United States, because the trend of development in the two countries is different, yet the present rapid change toward decentralization in the United States presents somewhat similar problems.

No large central markets, such as are common in this country, operate in Great Britain, but livestock is sold through large numbers of small local markets, to butchers and packers scattered throughout the producing areas and around industrial centers. In many sections an excessive number of

small sales (both auction and private treaty) so divided the volume to be sold and the attendance of buyers that it was difficult to secure enough competition at any one sale to establish fair prices for the producers. Frequently, town merchants were responsible for establishing sales primarily for the purpose of attracting trade rather than of operating an efficient livestock market. Furthermore, there was a lack of uniformity as to operating methods, marketing charges, and financial responsibility.

As a means of correcting and improving such weaknesses in the marketing system, Great Britain has taken steps to reorganize her marketing procedure through the passage of the "Livestock Industry Act, 1937."

Because livestock producers in many sections of the United States are today faced with somewhat similar problems, a brief summary of the major points in this act which relate to the reorganization and control of small markets is presented.

The "Livestock Industry Act, 1937" provides for a "Livestock Commission" not to exceed 9 members, appointed by the Ministers,³ which is authorized to administer its provisions.

To assist and advise with this Commission in the discharge of its functions, a further provision was made for the appointment of a "Livestock Advisory

¹ Information obtained from A. P. McDougall, Managing Director of Midland Marts, Ltd., at Banbury, England.

² Information obtained from the Ministry of Agriculture for Northern Ireland, and from the Department of Agriculture, Dublin, Ireland.

³ "Ministers" means the Minister of Agriculture and Fisheries for England and the Secretaries of State respectively concerned with agriculture in Scotland and in Northern Ireland.

Committee." This Advisory Committee, whose members are appointed by the Ministers, consists of persons representing the various interests of the industry, such as livestock producers, auctioneers, auction market operators, other marketing and slaughtering interests, local authorities and independent persons. In addition to this Committee, three subcommittees, one each for England, Scotland, and Wales, were provided for, their members also being appointed by the Ministers.

Part IV of the act requires that on and after November 1, 1937, no premises shall be used for holding a sale of livestock other than those used as a livestock market during the year ending November 30, 1936, unless the premises are approved by an order of the Commission which has been approved by the appropriate Minister. Dispersal sales, farm sales authorized by special exemption of the Commission, and any class of sales exempted by an order of the Minister of Agriculture and Fisheries and the Secretary of State for Scotland, after consultation with the Commission, are exempted from the requirements of the act. With the permission of the Commission, livestock markets operated within the year preceding November 30, 1936, may be removed to other premises. Before reaching a decision on an application for approval of any premises as a market, the Commission is required to consult the Livestock Advisory Committee and such local authorities and others as it sees fit, and to give the interested parties a reasonable opportunity to be heard.

The Commission is authorized to draft a "livestock markets order" to control the holding of livestock markets with respect to any area in Great Britain, whenever it is satisfied that such order will promote efficiency and economy in the marketing of livestock. This draft must be transmitted to the appropriate Minister who may approve the order in the form submitted or with modifications. Upon making a livestock markets order the Minister

must cause it to be published with a notice that it will be final unless within a stated period of not less than 30 days a petition is presented to the Minister by a local authority or by any interested party. If the order is opposed it becomes provisional only and does not take effect until confirmed by Parliament.

The livestock markets order may prescribe areas for livestock markets in Great Britain, each of which is designated a "controlled area," in which livestock sales are confined to stated "approved market premises," subject to any exemption provided in the order. It may also require that the Commission pay compensation to any person for any losses sustained in respect to his interest in land, his right to hold a market or to carry on the business of effecting sales at market.

The livestock markets order may provide for the Commission to serve a written "improvement notice" on the owner of any approved market premises, requiring him within a reasonable time to make such alterations, improvements, extensions of the market place and buildings as appear to be in the interest of economical and efficient operation, and upon failure of the owners to comply with such requirement may cause the necessary work to be done and recover any expenses reasonably incurred therefor from the owners.

The order may provide for the recovery by the Commission of the expenses incurred by it in the preparation, promotion, and operation of the order by way of contribution from the owners of markets and those engaged in effecting sales by auction on the approved markets, outside the controlled area, who, in the opinion of the Commission, are likely to benefit by the operation of the order. It may also assess and recover contributions of such amounts as may be required to pay compensation under the order to those who have sustained losses thereby, and for the purpose of defraying expenses otherwise incurred. It may require owners of

approved markets, and persons effecting sales the ~~Commission~~ Commission returns ~~and other~~ and other pertinent ~~and other~~ and other may require the arbitration of certain specified disputed matters.

In addition, the Commission may, if they consider it conducive to efficiency and economy, issue so-called "byelaws" or regulations fixing or limiting the number of places at which auctions may be held separately on the premises at the same time, and fixing or limiting auction and sale charges; and fixing the time for holding markets and regulating the management thereof. Byelaws may be either general and applicable to any class of premises throughout Great Britain, or special and applicable to particular premises only; but a general or special byelaw may affect one or more particular types of livestock. Byelaws

are effective only after confirmation by the appropriate Minister and publication as required by statute. Violation of byelaw provisions are made offenses punishable by a fine of not more than 100 pounds.

The Commission or any of its officers is given the right to enter and inspect at any reasonable time premises used for livestock markets, and the local authorities other than the County Council are given the power to enforce and carry out livestock-market orders or byelaws.

While it is as yet too early to evaluate the effects of such legislation, it would seem that this is a step in the right direction and should tend to develop a system of a limited number of large, well-conducted auction or private-treaty markets which would attract the maximum amount of buying competition.

Other Publications Available

In addition to this bulletin, the following publications on farmers' cooperative organizations are published by the Farm Credit Administration:

Cooperative Purchasing of Farm Supplies

Bulletin No. 1, *Joseph G. Knapp and John H. Lister*

Accounting Principles for Cooperative Cotton Gin Associations

Bulletin No. 2, *Otis T. Weaver*

Cooperative Marketing of Agricultural Products

Bulletin No. 3, *Ward W. Fetrow*

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

Organization and Operation of the Illinois Livestock Marketing Association, Bulletin No. 5, *H. H. Hulbert*

Statistics of Farmers' Cooperative Business Organizations, 1920-1935, Bulletin No. 6, *R. H. Elsworth*

Cooperative Marketing of Range Livestock

Bulletin No. 7, *L. B. Mann*

***Mutual Irrigation Companies in California and Utah**

Bulletin No. 8, *Wells A. Hutchins*. Superintendent of Documents, Washington, D. C., 25 cents

Membership Relations of Cooperative Associations

Bulletin No. 9, *J. W. Jones*

***Marketing Policies of the California Walnut Growers Association**

Bulletin No. 10, *Harry C. Hensley and Neil H. Borden*. Superintendent of Documents, Washington, D. C., 20 cents

Organization and Operating Problems of Nebraska Cooperative Creameries, Bulletin No. 11, *T. G. Stitts and Gordon C. Laughlin*

Analysis of the Business Operations of Cooperative Cotton Gins in Oklahoma, 1933-34, Bulletin No. 12, *Otis T. Weaver and Omer W. Herrmann*

Transportation of Milk in the Philadelphia Milkshed

Bulletin No. 13, *John J. Scanlan*

Cooperative Organization of Iowa Farmers' Creameries

Bulletin No. 14, *Frank Robotka and Gordon C. Laughlin*

Contract Feeding and Pasturing of Lambs and Cattle

Bulletin No. 15, *C. G. Randall*

Milk Cooperatives in Four Ohio Markets

Bulletin No. 16, *Wm. G. Welden and T. G. Stitts*

Commercial Trucking of Fruits and Vegetables in Nine Atlantic Coast States, Bulletin No. 17, *Nephtune Fogelberg and Herbert W. Mumford, Jr.*

Use of Motortrucks in Marketing Fruits and Vegetables

Bulletin No. 18, *Marius P. Rasmussen*

Business Analysis of the Utah Poultry Producers' Cooperative Association, Bulletin No. 19, *John J. Scanlan*

Farmers' Purchasing Associations in Wisconsin

Bulletin No. 20, *Rudolph K. Froker and Joseph G. Knapp*

Farmers' Mutual Windstorm Insurance Companies

Bulletin No. 21, *Gordon A. Bubolz*

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- Cooperative Purchasing of Farm Supplies in Mississippi**
Bulletin No. 22, *John H. Lister and Gerald M. Francis*
- Problems and Trends in Farmers' Mutual Fire Insurance**
Bulletin No. 23, *V. N. Valgren*
- The Surplus Problem in the Northeastern Milksheds**
Bulletin No. 24, *Leland Spencer*
- Relative Prices to Producers Under Selected Types of Milk**
Bulletin No. 25, *T. G. Stitts, E. W. Gaumnitz, and others*
- A Statistical Handbook of Farmers' Cooperatives**
Bulletin No. 26, *French M. Hyatt, Whitton Powell, and others*
- Cooperative Purchasing Through the Illinois Farm Supply
pany and Its Member County Service Companies**, Bulletin
John H. Lister
- Accounting Procedure for Cooperative Grain Elevators**
Bulletin No. 28, *E. B. Ballou*
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Cooperatives**, Bulletin No. 29, *Kelsey B. Gardner*
- Operations of Cooperative Grain Elevators in Kansas and
homa, 1931-32 to 1936-37**, Bulletin No. 30, *Harold H. Hedges*
- Cooperative Farm Supply Purchasing in the British Isles**
Bulletin No. 31, *Joseph G. Knapp*
- Cooperative Milk Marketing in Louisville and Other N
Cities**, Bulletin No. 32, *T. G. Stitts and Wm. C. Weldon*
- Cooperative Marketing of Fleece Wool**, Bulletin No. 33, *James
H. H. Hulbert*
- Early Developments in Cooperative Cotton Marketing**
Circular No. C-101, *O. W. Herrmann and Chastina Gardner*
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- Organizing Farmers' Cooperatives**
Circular No. C-108, *S. D. Sanders*
- Organizing a Cooperative Cotton Gin**
Circular No. C-109, *Otis T. Weaver and U. H. Prickett*
- Marketing Fruits and Vegetables Cooperatively**
Circular No. C-110, *M. C. Gay*

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