

# Cooperative Marketing of Livestock at Cincinnati

by H. H. Hulbert

FARM CREDIT ADMINISTRATION

*Cooperative Research and Service Division*

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Cooperative Marketing  
of Livestock at Cincinnati  
by the  
*Producers Cooperative  
Commission Association*

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## Summary

**SUCCESSFUL** cooperative marketing, developed around the needs of the livestock producer and built entirely upon service to him with a minimum of membership requirements, is demonstrated by the Producers Cooperative Commission Association at Cincinnati.

The association is a cooperative corporation of the nonstock type. Membership is easy to obtain—the only requirement is that members be bona fide livestock producers. Provisions imposing compulsion in any form are wholly lacking. No marketing agreements or contracts are required. Applicants for membership make no investment in the association when they are accepted as members. Members and patrons are free to patronize or not to patronize the association. In maintaining business volume, the association relies on its ability to render satisfactory sales services.

The association was formed to obtain for farmers certain advantages through ownership of their own cooperative organization. Specifically, farmers sought to lower costs of marketing, to improve services at the Cincinnati stockyards, and to correct unfair and discriminatory trade practices in the marketing of livestock. Through progressive policies pursued during its 14 years of operation, the association has done much to accomplish the objectives for which it was organized. An analysis of the operations and an appraisal of the achievements of this association should be valuable, therefore, to other livestock cooperatives as a gage for measuring their own progress.

The association functions principally as a sales agent for its members and patrons, charging a commission or brokerage fee for its services. All livestock handled is received on consignment and sold on a weight basis. Pooling is not employed in any form; each individual consignment is sold on its merits. Risks involved in market fluctuations are assumed by the producers; no prices are guaranteed.

The association has no way of gaging its receipts in advance of their arrival. It never knows from day to day how little or how much livestock it will have to offer for sale. Each producer determines independently his own day and time of marketing, and this makes volume uncertain. The association accepts all livestock consigned to it by producers. In general, all stock is sold on the day of arrival.

Growth of motortruck transportation, local markets, livestock auctions, and direct-to-packer marketing has exerted a pronounced influence on receipts at the Cincinnati market. For the market as a whole, receipts show an irregular downward trend, reflecting increased competition from these other forms of marketing. This influence has tended to hem in the terminal market and to insulate it from much of

its former volume. Contrary to this trend, association receipts have shown, in general, an increase.

Cincinnati has become almost exclusively a truck market for livestock. More than 90 percent of the total receipts of the market now arrive by truck, whereas 75 percent arrived by rail when the association first opened for business in 1925.

The association handles approximately 35 percent of all receipts at the Cincinnati market. It sells a somewhat higher percentage of the total market truck receipts than of the total rail receipts. The association now receives practically no livestock from local shipping associations, although in 1925 such organizations were an important source of supply. Shipping associations became less popular as livestock trucking developed and many local associations starved from lack of volume.

In 1935 the association established a branch at Dayton, Ohio, and in 1937 a second branch at Lexington, Ky. The branches were formed as integral parts of the parent organization. Local affairs of each branch are administered by an advisory operating committee selected by the members. Final decisions on policies, however, rest with the board of directors of the parent organization. Each branch financed its own organization through funds raised locally by subscription from producers.

In spite of the liberal membership policies adopted by the association, only 53 percent of the 18,513 patrons who used the association at Cincinnati in 1937 were members.

A study of patron deliveries for the 3 years 1935 to 1937 shows a startlingly large and consistent turn-over among patrons. Based on this study only about 45 percent of each year's patrons are regular consignors; the rest are "in and outers" who ship one year and drop out the next. Approximately 30 percent of each year's patrons use the association only 1 year. About 83 percent of the patrons who consign year after year are members; whereas 80 percent of the patrons who use the association for 1 year only are nonmembers. The regular consignors, however, supply at least 74 percent of the association's annual volume compared with about 12 percent for the group which use the association for 1 year only.

The association derives all its income, with the exception of interest and profits on investments, from commissions charged for the sale of livestock. From its total income, the association pays all expenses of operation. Amounts remaining constitute savings of the association. Savings, at the discretion of the board of directors, may be distributed as patronage dividends or used for the establishment of reserves.

Commissions are levied generally on a per head or per car basis and do not fluctuate with the value of livestock sold. The percentage of

value absorbed by commissions, therefore, is greater in periods of low prices than in periods of high prices, because commissions remain fixed, whereas wide swings occur in livestock prices. During the first 14 years of the association's operations, commissions amounted to about 2 percent of the sales value of the livestock, and expenses of operations absorbed 1.3 percent. Savings for the same period amounted to 0.78 percent of the sales value; patronage dividends to 0.56 percent; and reserves to 0.22 percent.

In the first 13 years total savings of the association amounted to \$684,388, or slightly less than 38 cents per dollar of income. Of this amount \$545,760 was due to members and \$138,628 to nonmembers. The directors have adopted a liberal policy for the payment of patronage dividends since they have become convinced that the association is adequately financed. During the 3 years 1935 to 1937, patronage dividends averaged 83 percent of total savings. Both members and nonmembers have an equity in patronage dividends declared, but payment of patronage dividends is restricted to members only. Members receive their patronage dividends in cash, whereas dividends accruing to nonmembers are credited to them on the books of the association. Total patronage dividends declared since organization amount to \$519,755, the equivalent of approximately 71 percent of all savings.

Reserves of the association are noninterest-bearing working capital accumulated from yearly savings and distributed on the books of the association to the credit of the members and nonmembers who have contributed the business. The ratio of member reserves to nonmember reserves is approximately 4 to 1. In 1934 the directors initiated a policy of revolving reserves from year to year, but after 2 years this policy was discontinued. At the close of 1937 reserves of the association totaled \$174,045.