

SALES METHODS FOLLOWED BY COOPERATIVE LIVESTOCK  
MARKETING ASSOCIATIONS

by

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## INTRODUCTION

### Purpose of Study

The present day methods of marketing the nation's livestock are the results of changing conditions within the livestock and meat industry. When traced historically, it may be seen that as livestock production moved westward and the human population grew more and more concentrated in the east, old methods of marketing became inefficient and inadequate and the needs for large livestock markets became more and more urgent. The purpose of this study is to learn the various methods that have been employed in selling livestock by cooperative associations.

### Acknowledgments

Acknowledgment is due for the invaluable assistance of my major instructor, Dr. W. E. Grimes, and to the officers and employees of the various livestock marketing associations for assistance in securing information concerning the development of the cooperative livestock selling agencies.

## THE EVOLUTION OF LIVESTOCK MARKETING

### Early Methods of Marketing

In any study of the development of various classes of livestock, we learn that in the early days livestock was driven to market. Because they were better travelers and because fresh beef was much more palatable than pickled or cured beef, cattle were driven longer distances than hogs, and a larger proportion found their way to the markets of the eastern states where they were slaughtered and a large portion of the beef sold fresh.

Hogs were slaughtered in large numbers in the packing centers of the middlewest located along the rivers, and pork, which was a desirable product in the cured and pickled form, was shipped in large quantities via New Orleans to the east, the West Indies, and to European nations. There were large numbers of hogs driven to the east however, by the professional drovers, also engaged in driving cattle. Some of these drovers had as many as 5,000 hogs.<sup>1</sup> It is estimated that in a single year as

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1. Economics of the Packing Industry. Part I. Chicago University Press, Chicago. 8.

many as 100,000 hogs<sup>1</sup> were driven from Kentucky across the Alleghenies.

There were three principal routes from the Ohio Valley to the east. The northern road lead to Erie, Pennsylvania, thence to the Mohawk River in New York and followed the Hudson River into New York City. A second road went through Wellsville, Ohio, across the Alleghenies to Pittsburgh and Philadelphia, while the southern road followed a route from Zanesville, Ohio to Wheeling, West Virginia and thence to Bedford, Pennsylvania to Philadelphia, Pennsylvania or through Cumberland, Maryland to Baltimore. These routes were practically the same as those followed by the New York Central, the Pennsylvania, and the Baltimore & Ohio railroads today.

During the latter part of this period, driving to the seaboard declined in importance, and the three principal centers to which livestock was driven were Cincinnati, Pittsburgh, and Buffalo, from which places the animals were carried by boats or railroads to more eastern destinations.

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1. Economics of the Packing Industry. Part I. Chicago University Press, Chicago. 8.

Even in the early part of the period, the rapid development of cattle raising in the middlewest lead to different organizations within the industry. Clemen (1923)<sup>1</sup> describes these as follows. "First, there was the raiser of cattle or "stock raiser" who sold the animals at the end of one, two, or three years to the "grazer." Cattle raisers, during the forties and fifties, were found chiefly on the great prairies of Illinois, Missouri, and Iowa, and they carried on the business on such an extensive scale that it was said that a farmer called himself poor if he did not have a hundred head of cattle about him.

"The grazers, during the earlier decades of the industry, were very largely the owners or renters of the great pasture lands in such counties as Madison, Fayette, and Union, in Ohio. After the Civil War the raising of cattle began to be carried on more extensively in the states farther west, and in time the business of grazing came to be one in which the farmers of a state like Illinois, for example, engaged almost exclusively. After the cattle had been allowed to graze all summer, they were

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1. American Livestock and Meat Industry. Ronald Press, New York. 63:64.

taken over in the fall by the cattle feeder, or "stock feeder," the raiser of corn, who fattened the cattle for market in the Atlantic cities. Cattle were also sometimes fattened at the distilleries on the waste mash. As the raising of cattle came to be confined more to the prairies farther west, the great corn crops of Illinois were utilized to a greater extent in the work of feeding the cattle for their final fattening, just before marketing them. The cattle were purchased in the fall from the states west of the Mississippi and were brought to Illinois to consume the crops of corn during the winter. Likewise, in the spring cattle were imported to consume the grass on the pasture lands.

Another functionary was the drover, who was especially prominent after the feeder had completed his work. He took the large herds from one part of the country to another, and ultimately conducted them across the mountains to their final market. After the advent of the railroads the drovers' business languished to a great extent. Last of all of the occupations in the industry was the banker who supplied the funds."

The Cattle Fairs

As the middlewest became more and more thickly settled a greater proportion of its livestock was needed to supply the local population. It was logical that with this development, the marketing organization of the industry should also improve. As a result of these changes, as well as of the separation of cattle raising and cattle feeding, an institution developed modeled after the old New England and Philadelphia cattle fairs, called the "Market Fair." These fairs were monthly or quarterly sales of livestock and were held in the towns, particularly in the feeding belt of northern Kentucky and Ohio. The grazer, feeder, and seller of livestock brought their animals and the butcher came to make his purchases at auction and on private terms. Drovers also made arrangements to take stock eastward. Among the most famous of these fairs was the one at Madison, Ohio and the Bourbon Fair in Bourbon county, Kentucky.<sup>1</sup>

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1. Economics of the Packing Industry. Part I. Chicago University Press, Chicago. 9:10.

## The Influence of Railroad Development

The cattle fairs declined however, because they did not fulfill the real need of the industry and because they were not held close enough to the packing centers. The need for facilities to handle livestock after they had been driven to the packing plants resulted in the establishment of private yards owned by the men engaged in packing operations. The development of stockyards as we know them today was hastened by the extension of transportation, first by steamboat and canalboat, and later by the steam railroads. As the railway net spread westward, livestock was collected at the western terminals of the road and shipped to the east, which became more and more dependent on the west for livestock supplies. Each railroad usually had its own yardage facilities for handling livestock.

The extension of the railway system greatly stimulated the growth of market centers which were strategically located. Cincinnati, which already commanded a market in the south by virtue of river transportation and was closely linked to the east, became connected with Pittsburgh by rail prior to 1850. This gave Cincinnati even greater advantages in transportation and her demand for livestock was given added impetus.

Railroads were also being built to the north of the Ohio Valley. Buffalo became linked by rail and the Erie Canal with Seaboard in 1842. By 1850, the railroads had reached west to Cleveland and Detroit, and in 1852 the first railroad connected Chicago with the east<sup>1</sup>. The importance of railroad building during this period to the development of the livestock industry was summarized by Professor Johnson<sup>1</sup> as follows.

"The transportation of livestock from the grain-belt to the eastern states was taken over almost entirely by the railroads. Neither the Erie Canal nor the Pennsylvania Canal had carried many hogs and cattle, though large quantities of meat, lard, and other animal products had been sent to the eastern cities over both these routes. After the rise of the pork-packing industry at Cincinnati and other cities of the Central States, but few live swine were sent to eastern markets. However, the trade in cattle continued to flourish. Large numbers of cattle were driven from Ohio (usually by way of Buffalo and Albany) to New York, where more were slaughtered than in any other city. Illinois, too, raised many cattle, but the

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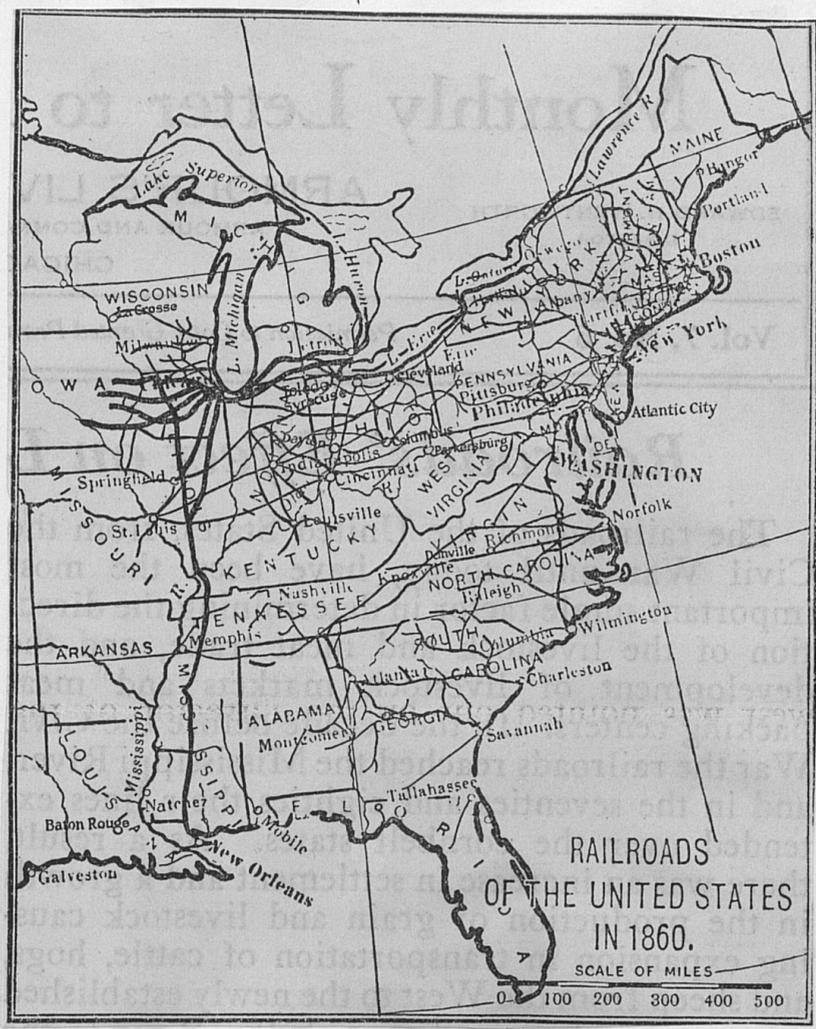
1. American Livestock and Meat Industry. R. A. Clemen. Ronald Press, New York. 81:82.

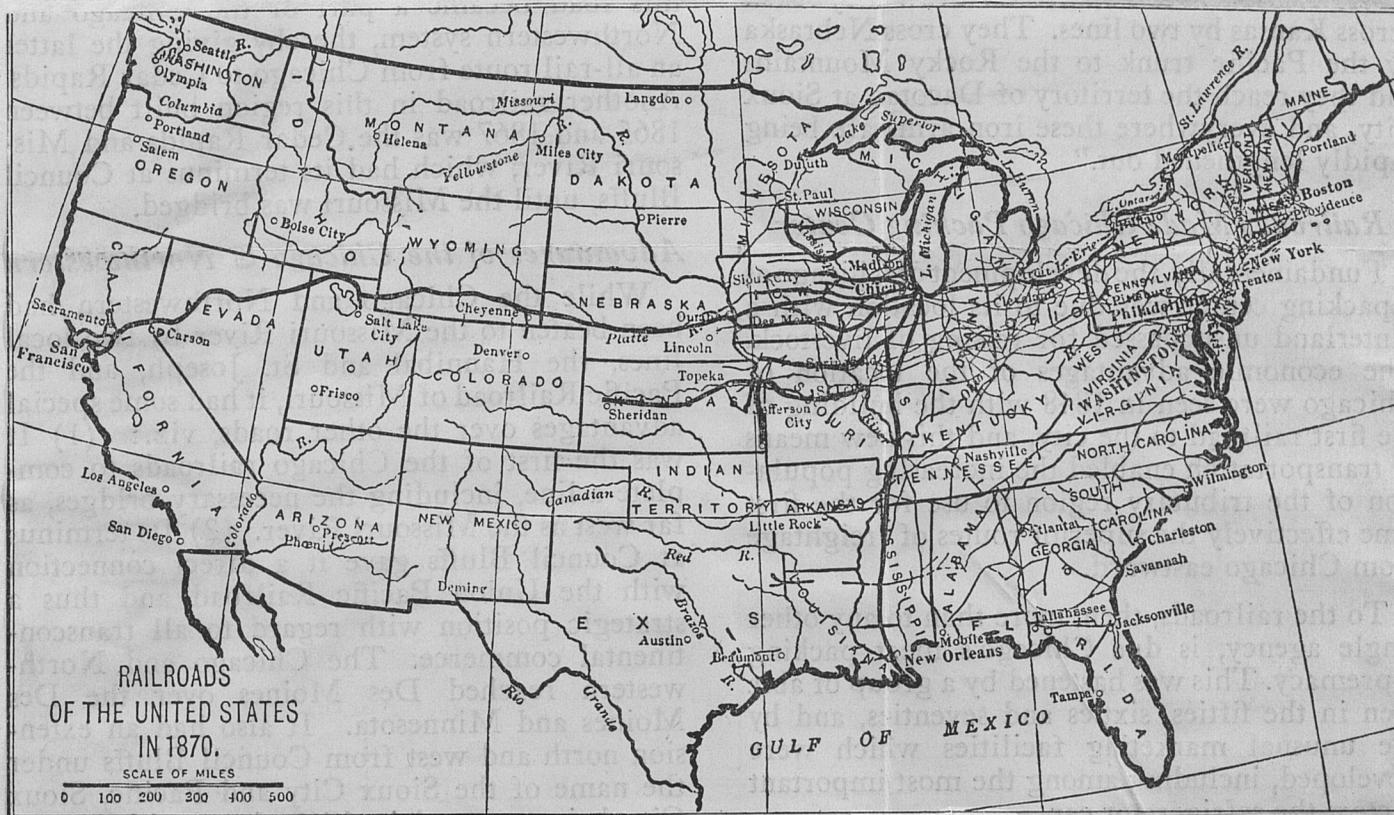
distance was too great to permit the driving of fat stock to the eastern coast, and consequently the Illinois farmers sent their cattle to Ohio, where they were fattened for the New York market. The cattle trade of Ohio thus had a period of great prosperity up to 1850.....

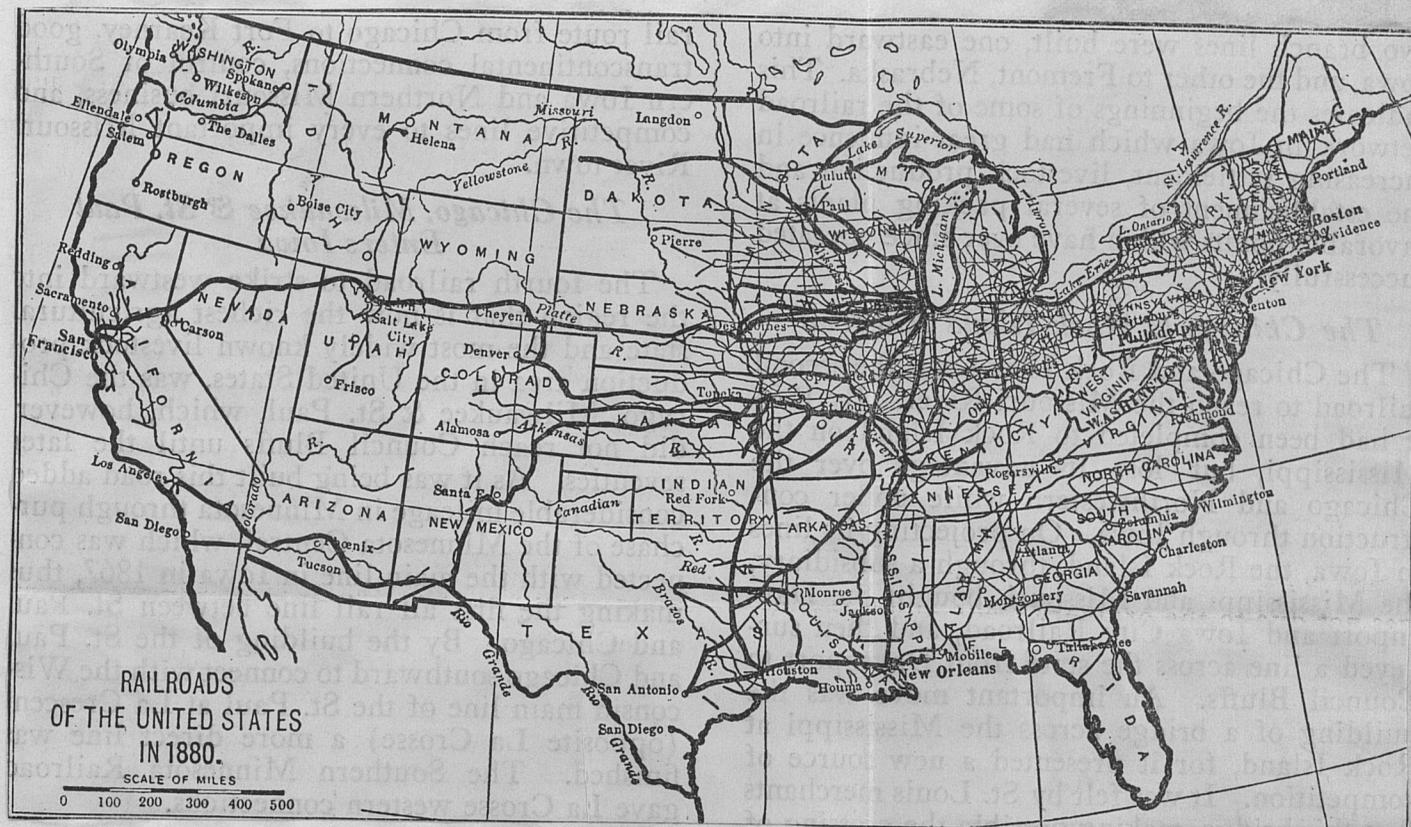
"The advent of the railroad put an end to the practice of driving fat cattle to distant markets. Moreover, the railroads brought Illinois farmers nearer to the Atlantic coast than the cornfields on the Scioto had been during the preceding years, and it was no longer impossible for the Illinois farmers to feed their own stock and send it directly to New York and Philadelphia. Ohio was soon surpassed in the production and sale of corn-fed cattle by the corn-raising states farther west. The transportation of cattle was an important source of profit to the western railroads and to the trunk lines, and large numbers of hogs and sheep were shipped from the Central to the Eastern States, constituting almost a totally new element in the commerce between the two sections. In 1859 livestock furnished a larger amount of the through eastward traffic of the Pennsylvania Railroad than any other single commodity, and the other trunk lines and the railways radiating from Chicago, Toledo, and Cincinnati transported each year an increasing number of animals destined for the slaughtering-pens of the east."



The map on this page and the following pages shows the development of the railroads from 1850 to 1890. These maps were secured through the courtesy of Armour and Company.









## The Development of Stockyards

By the time of the Civil War, there were a number of stockyards owned by private companies and by various railroads in each of the important packing and livestock centers, such as Buffalo, Cleveland, Detroit, Cincinnati, St. Louis, and Chicago. It was difficult under such conditions for all of these yards to do a profitable business. Prices were sometimes higher at one yard than at others. Buyers congregated at the largest yards with the result that the smaller ones were without business. Stock had to be transferred from one yard to another if it did not meet with a ready sale. A brief description of the development of the Union Stock Yards at Chicago serves to illustrate the nature of the changes that were taking place in the market organizations of the livestock industry at this time.<sup>1</sup>

"The first stockyard worthy of name, however, was the old "Bull's Head," in operation about 1850 at what is now the corner of Madison street and Ogden avenue. Chicago then had a population of 20,000. In 1854 the Michigan

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1. The Producer. Kay Wood. May, 1923. 4:5-6.

Southern Railway established a stockyard at the present corner of State and Twenty-second Streets. What was at that time considered a very bold venture was made by John B. Sherman in 1856, when he opened the Myrick yards at Cottage Grove Avenue and Thirtieth Street, with a capacity of 5,000 cattle and 30,000 hogs. In addition to these, there were a number of diversified stockyards at various railroad terminals, established about a mile and a half west of the city.

"It soon became evident to Mr. Sherman that Chicago needed a centralized stockyard plant, and the launching of the Union Stock Yard and Transit Company followed. In the autumn of 1864 a prospectus was issued which resulted in the subscription of one million dollars' worth of stock, the major portion of which was taken by the railroads. A special charter was granted by the state legislature on February 13, 1865. The incorporators were men identified in a big way with the growth of industrial United States.

"The site chosen for the location of the yards was at Halstead Street, in the Town of Lake. Here 320 acres were purchased from John Wentworth. This land was considered an almost valueless marsh, impossible of drainage. Work was commenced June 1, 1865 and by Christmas of that year the yards were thrown open for business. At first

about 120 acres were covered with pens, but the growth of the enterprise has necessitated many additions since.

"The stock yards were connected with the city by a steam "dummy" running trains at hourly intervals. It was in such a situation that the real history of the livestock commission business began in the Union Stock Yards of Chicago."

#### The Advent of the Commission Man

It was also about this time that the present day commission man became an important factor in the marketing of livestock. Before the day of the commission man, the marketing of livestock required a great deal of time and attention on the part of those who brought them to market. The main trouble, however, was in the extended credit system. "The drover bought of the farmer on credit, got his transportation on credit, and at the market the livestock were sold to the wholesale butcher on credit, by him to the retailer on credit, and then to the consumer, and were actually eaten up before they were paid for."<sup>1</sup>

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1. Economics of the Packing Industry. Part I. Chicago University Press, Chicago. 12.

This state of affairs lasted until 1857 when the first bona fide commission firm began business in the Chicago market. The character of the commission business at the time of the opening of Chicago Union Stock Yards in 1865 is given by Kay Wood in a hearing before The Packers and Stock Yards Administration by the American National Livestock Association, March 5, 1923.<sup>1</sup>

"There were few commission men. Upon his arrival at the market, the owner would generally make a trade direct with the buyers. Naturally the man who had spent his time in the country purchasing large quantities of cattle or hogs for shipment would be absent and ignorant of changes in market conditions during that time. It thus became his custom to consult some of the traders who were interested in buying and shipping. These traders, constantly on the market and familiar with values, began to assist the shipper in arriving at the price of his livestock. Thus there originated a business which developed in proportion to the livestock trade itself.

"Stock trains at that time, as now for the most part, came in the night. At the connection of the railroad system with the tracks of the Union Stock Yard and Transit

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1. The Producer. Kay Wood. May, 1923.4:6-7.

Company they were obliged to wait for entrance to the yards. For years it was the custom of commission men to meet these trains at three o'clock in the morning, to solicit consignments, or to meet their friends and look after their interests.

"The sale of livestock was then an easy matter. Trainloads of hogs were sold while still in the cars. There was little or no sorting. Steers and heifers sold together, without division as to class or kinds. "Butcher stuff" was also sold without sorting as to bulls, cows, or calves. It was possible for one man to sell both cattle, hogs, and sheep; but the most enterprising of the commission men naturally adapted themselves to classifying the grades and kinds, to meet the advancing requirements and changing character of the packing and shipping industry. Livestock was yarded in any part of the yards most convenient, the company furnishing men to yard, feed, water, and weigh it. Sunday was the principal market day for cattle, and the market hours each day were limited only by dawn and dark.

"Early in the development of livestock commission firms sales letters were devised advising a customer in detail of any peculiarities which might have arisen in the transaction of the sale when the owner of the livestock was absent. Then followed the practice of sending out general

information by circulars, and a market paper was established. These were the only sources of livestock information which the shipper at that time possessed.

"For many years succeeding 1865 there was no bank at the stock yards. Payment by buyers was made in currency or by New York draft. Actual currency in most cases was expressed to the shipper, and this or the check or bank credit was necessarily carried from the offices of the firms in the years to the various banks in the city for proper distribution to their correspondents in the country.

"Money-lending by livestock commission firms arose in this manner: The pioneer from the east, who came to settle on Illinois or Iowa lands, was almost without exception short of cash. He could secure the implements, horses, and seed grain; but, as corn production developed, he had no money with which to buy the cattle or hogs to consume it. Banking facilities were exceedingly limited, even in Chicago, and no country banks of any consequence were in existence. The pioneers in the commission business, however, were able to obtain credit, and they were liberal in giving to their customers sufficient currency, without note or written obligation of any kind, to purchase cattle to put into the feedlot, requiring evidence of payment only by word of mouth. Chattel mortgages were a thing unknown."

The Influence of Westward Expansion in  
Livestock Production

The overland drives on the western range developed in the same way as did those of the east. The railway was not known in the far west until long after it had become a shipping medium in the east, and so, in order to place cattle or other stock on the market, it was necessary to resort to an overland trail on the sparsely settled range. This applies more especially to Texas, New Mexico, and Arizona, from which regions stock moved overland to northern markets or shipping points.

J. Frank Dobie<sup>1</sup> writes: "As early as 1842, the Texans began driving cattle to New Orleans, and until 1867, New Orleans remained their chief market. But driving cattle through the boggy rivers, mosquito swamps and sappy grass of southern Louisiana was costly business. Cattle that left Texas fat would reach New Orleans poor.

"The very year that the first herd from Texas went to New Orleans another 1500 head went to Missouri. In 1846 a thousand Texas beeves were driven to Ohio and there fed.

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1. The Country Gentleman. J. Frank Dobie.  
February 28, 1925.

The discovery of gold in California drew a few thousand Texas cattle to a flush market, and about the same time others were driven into New Mexico and Arizona. In 1855 a herd of Texas cattle passed through Pennsylvania on its way to New York. The next year a herd went to Chicago. In 1857 a herd crossed the Missouri river at Independence and was sold at Quincy, Illinois for about twenty-five dollars per head. These were probably yearlings and used as feeders, weighing about 700 pounds more or less. In 1925 calves cost \$30 per head in Texas. During the Civil War John Chisum and Charles Goodnight drove over 100,000 cattle from north central Texas into Colorado."

In general there was no regular, established route for these trails over the great Western range, especially in the early years. There developed, however, certain lines of travel that became recognized as overland trails. Abilene, Kansas, located on what was then known as the Kansas Pacific Railroad, established a cattle market about 1867, which almost immediately became a popular sales point. Wichita and Dodge City, other new towns in Kansas, and Ogallala, Nebraska, also became prominent in the cattle trade.

The importance of the early livestock driven over the overland trail can hardly be appreciated by the present generation. The following figures from the United States

census report for 1880 are of special interest: In 1866 some 260,000 cattle were driven from Texas to Sedalia, Missouri. From 1867 to 1871 inclusive 1,400,000 head were driven to Abilene, Kansas. From 1872 to 1875 inclusive a total of 1,072,618 head were driven to Wichita and Ellsworth, Kansas. From 1876 to 1879 inclusive a total of 1,046,732 head were driven from Texas to Dodge City and Ellis, Kansas.

To drive from southwestern Texas to the vicinity of Ogallala, Nebraska and through Nebraska to Wyoming, required about ninety days. To drive from Texas to Fort Dodge or to Caldwell for Kansas City required thirty-five days; to Pueblo, Colorado, seventy-five days.

Commenting on these early drives, the census report states that in handling 164 droves, averaging 2342 head each, they required the services of 1968 men, or an average of 12 men to a drove. The number of saddle horses used was 6494, or an average of 3.3 horses to each man. The estimated loss in driving to Kansas was 6000 head.

During the decade 1870-1880 the great American west became a wheat and corn belt. While before the Civil War the only grain and livestock states west of the Mississippi River were Iowa, Missouri, and Minnesota, in the late sixties and seventies Kansas, Nebraska, and the Dakotas increased in importance. Simultaneous with this development

was the growth of industrialism in the Atlantic Coast states and their increasing dependence upon the new grain and beef areas. The high cattle and beef prices of the Civil War period had led farmers into crossing longhorns with shorthorns and Herefords, thus evolving a better commercial type of beef cattle. However, for a time the increasing numbers of Texas livestock were not available for the eastern consumer, because there were not yet any adequate railroad facilities, including refrigerator cars. As the railroads were being constructed westward from Chicago, Texas cattle were being driven northward along the famous cattle trails to the ranges of the Northwest, whence they were shipped eastward after maturing and fattening, via the new railroads such as the Union Pacific and Northern Pacific. This movement was accelerated by the discovery that southern cattle could be wintered successfully on the range; herded in Wyoming, Montana, and Idaho, and shipped east in the fall. Of these states, Wyoming showed an increase in cattle population from 36,000 to 275,000 between 1870 and 1880; Montana from 70,000 to 161,000; and Colorado from 134,000 to 318,000.

This railroad cattle shipping business grew rapidly for each new western road sooner or later crossed one or another of the cattle trails, and diverted a constantly increasing number of cattle. This lessened the volume of

livestock which went to the northern ranges. One of the earliest of the shipping points at the crossing of trail and railroad was Ogallala on the Union Pacific. This was soon rivalled by Baxter Springs on the Missouri River, Fort Scott and Gulf; Coffeyville on the Leavenworth, Lawrence, and Galveston; Denison on the Missouri, Kansas and Texas; Abilene on the Kansas Pacific; Dodge City on the Sante Fe; and Glendive and Miles City on the Northern Pacific.

This influence of the railroads in encouraging settlement and developing traffic in the new west was great. For example, the Union Pacific exercised a dominating influence along its entire line east and west, and from Montana to New Mexico. Before this railroad reached Wyoming in 1867 there were almost no settlements, but within one year the whole region had become sufficiently well populated to permit Congress to make it a territory. It was due to the opinion of the railroads regarding the value of certain districts and locations, that these places developed more rapidly than others, and that some towns located favorably on the railroads became important. When the new settlers, largely foreign, came into the west, the railroads did a great educational work. They sent out free and unsolicited seed wheat and choice breeding stock,

making these contributions with care. "The railroad was explorer, carrier, provider, thinker, heart, soul, and intellect for these new Americans."<sup>1</sup>

In the case of livestock the average settler might possess cattle, but they were usually scrubs, poor milkers, etc. which were neither fit for beef nor dairy purposes. Railroad leaders such as James J. Hill, felt that by introducing the best breeds of cattle generally and improving them year by year, the country would soon have none but high-grade cattle and an independent livestock industry. The stimulation of interest in cattle raising in the northwest is the history of extraordinary foresight and patient and helpful instruction. The complement of the wheat field became the stock yard.

With the change from a cattle range to a ranch basis the railroads sold large areas for ranching purposes in the latter seventies and eighties. This development of the cattle ranch business led to great revenues for the Union Pacific, the Northern Pacific, the Sante Fe, the Burlington and other lines. During the eighties some 3,300,000 acres and 672,000 head of cattle were sold by railroads to American and foreign capitalists. More rapid

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1. Monthly Letter to Animal Husbandmen. E. N. Wentworth. Armour & Company, Chicago. September, 1926. 7:8.

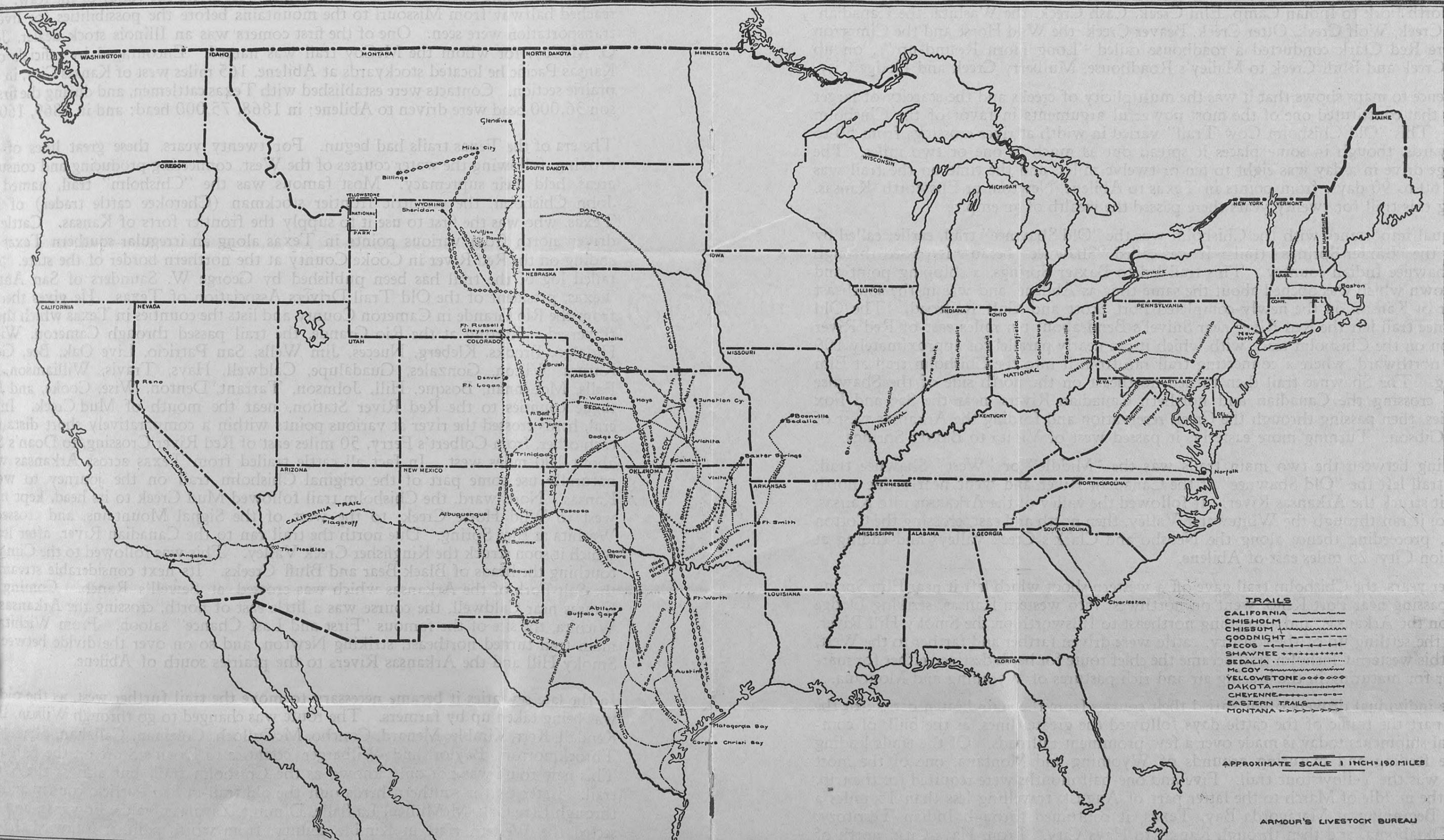
settlement began to exhaust the railroad land grants. The St. Paul and Pacific sold its last land in 1880, the Kansas Pacific in 1882, The Chicago, Milwaukee and St. Paul in 1882, the Sante Fe in 1882, and the Little Rock and Fort Smith in 1886. Some of the more western roads however, did not sell all their land until 1900 and one or two, such as the Northern Pacific, have not disposed of it all even now.

The accomplishment of the railroads in opening up the west and in promoting the development of livestock production and marketing was completed in main outline by 1890. The great trunk lines were daily moving a tremendous volume of animals and animal products into the livestock centers which they had developed. The west was thereby made an integral part of the United States. In great degree the railroads had hastened the disappearance of the old romantic west, but in so doing they had contributed immeasurably to the well-organized western commonwealths of today.<sup>1</sup>

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1. Monthly Letter to Animal Husbandmen. E.N.Wentworth. Armour & Company, Chicago. September, 1926. 7:8.

# CATTLE TRAILS IN LIVESTOCK MARKET DEVELOPMENT



- TRAILS**
- CALIFORNIA TRAIL
  - CHISHOLM
  - CHISSUM
  - GOODNIGHT
  - PECOS
  - SHAWNEE
  - SEDALIA
  - Mc COY
  - YELLOWSTONE
  - DAKOTA
  - CHEYENNE
  - EASTERN TRAILS
  - MONTANA

APPROXIMATE SCALE 1 INCH=100 MILES

## The Advent of Refrigeration

Previous to the refrigeration period the fresh or dressed meat business was in the hands of those butchers who slaughtered in or near the community where the meat was to be consumed.

The growth in production and means of transportation has already been discussed, naturally it remains to consider the growth of invention in refrigeration, because it was this factor which made it possible to utilize to their greatest extent the supply of livestock and the methods of transportation and marketing. Refrigeration enabled the meat packing business to operate in summer as well as in winter and made the distribution system for meats nation wide and world wide.

Early experiments in refrigeration.- In 1550 Blasium Villafranca, a physician in Rome, produced an artificial reduction of temperature by dissolving salt peter in water. In 1607 the first "Frigorific Mixture" was discovered by Latimus Murcedus, who by combining snow with salt peter produced very low temperatures. Francis Bacon was also credited with experiments along this line.

Early experiments were simply the production of ice until the requirement of the brewing and meat industries

called out mechanical refrigeration. The middle of the 18th Century scientists were experimenting upon "Nature's abhorrence of a vacuum" to produce evaporation and refrigeration. This was the principle that Dr. William Cullen in 1775 used to develop a machine which would produce ice by purely mechanical means. This was the pioneer ice machine of any kind.

In 1824 Vallance patented an ice machine in which a current of dry rarefied air was circulated over shallow pans containing water.

In 1776 Jacob Perkins, an engineer and inventor, invented the first machine which was the forerunner of the modern compression apparatus, capable of producing ice in commercial quantities. A patent was obtained in England in 1834. The Perkins apparatus included the four principal features still in use in all compressor systems today. The compressor, the condenser, the expansion, or regulating valve, and the evaporator.

In 1858-1860, Ferdinand P. E. Cavie of France, placed upon the market a machine which gave birth to the ammonia absorption machine system of today.

Applying refrigeration to transport.- It was during the period of railroad growth and general commercial activity following the Civil War that attempts were first made to maintain in a car a temperature at which perishables

could be preserved. The main stages in the development of our refrigerator car of today are as follows: (1) Michigan Central Railroad used ordinary box cars with bins for ice in each end. (2) In 1867 the first American patent for a refrigerator car was issued to J. B. Sutterland of Detroit, Michigan. (3) George K. Wood 1868. (4) William Doris 1868. (5) A. L. McCrea 1868. (6) A. S. Lyman 1871. (7) R. J. Tunstall 1872.

One of the most influential figures in the commercial development of refrigerator cars was Gustavus Franklin Swift. He aided materially in revolutionizing the meat industry, creating the dressed beef traffic and the distribution system of the modern packing industry. There are few instances of as great courage in commercial history as he and his associates showed in this struggle. In his search for a better car, G. F. Swift was instrumental in discovering the true principle of refrigeration for freight cars. For he secured the assistance of an engineer in Boston, named Chase, who discovered this principle, namely, "that a current of air allowed to pass through an ice bunker in the upper corner of a car becomes chilled so that it is heavier than the air with which it comes in contact, and consequently sinks and circulates through the car,

the warm air passing out through the ventilator."<sup>1</sup>

Chase not only discovered this principle, but he also devised a practical method of applying it by fastening an ice bunker at each end of the car. The bunker is filled from the exterior of the car through an opening in the roof. This is closed by a plug, which fits into the opening and is further sealed by a hatch door in the roof of the car. The principle of circulation of cool air and the general arrangement of the appliances of this car by which the bunkers could be filled or replenished from the outside, are still in use, though various refinements for convenience or efficiency have been introduced.<sup>1</sup>

### Inspection and Sanitation

The rise and spread of the dressed beef trade brought in its train several results of great and lasting economic benefit. Perhaps the most important of these has been the federal meat inspection service, which was made possible by concentration of slaughtering in large-scale plants with wide distributing facilities.

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1. American Livestock and Meat Industry. R. A. Clemen. Ronald Press, New York. 222.

Meat animals are subject to many diseases which impair or destroy the wholesomeness of their meat as human food, but the presence of the effects of disease are not always discernible in the dressed carcass. A piece of meat may carry the germs of a dangerous disease without giving any indication of this fact to the consumer. To detect disease there should be an expert inspection at the time of slaughter. The natural and logical authority to conduct such inspection is the government, which is the only disinterested party. Private inspection would not receive sufficient confidence from the public to make it a success on a national scale.

To protect the people where they are unable to protect themselves has been, generally speaking, the object of meat inspection. Diseased meat is the direct cause of disease in those who eat it. The consumer, being himself unable to determine whether or not the meat he buys is diseased, demands that he be protected by the government from the cupidity or ignorance of the man from whom he buys.

The history of meat inspection in the United States falls naturally into three periods: (1) from the opening of the Union Stock Yards in Chicago in 1865 to the year 1890, when the first federal Meat Inspection Law was passed; (2) from the latter year until the passage of the law of 1906; (3) from 1906 until the present time.

By the year 1851 the packing industry had become firmly established in Chicago, and by 1865 packing had become an important part of the business of Kansas City, St. Louis, Omaha, St. Joseph, and Cincinnati. With the establishment of the Union Stock Yards in Chicago, meat packing was reduced more nearly to a system, and the city health authorities instituted an inspection of the packing houses. An inspector was stationed at each of the two gates through which the animals passed from the railroad on their way to the stock pens. These health officers were "practical butchers whose experience enabled them readily to detect any cattle or hogs that might be suffering from disease or were not fit for human food."<sup>1</sup>

The first statistics of cattle inspection were compiled in 1881, when out of nearly 2,000,000 cattle inspected for slaughter in Chicago, 515 were found to be diseased. In 1870 United States Commissioner of Agriculture Horace Capron saw the danger that menaced the public from eating unwholesome meats. In urging the establishment of a division of veterinary surgery in the Department of Agriculture he wrote: "The value of stock lost annually

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1. American Livestock and Meat Industry. R.A. Clemen. Ronald Press, New York. 317-318.

from disease is enormous and threatens not only to decimate our animals, but to expose the human family to disease from the consumption of unwholesome meats."<sup>1</sup>

For the protection of the public health, as well as to prevent the spread of contagious and infectious diseases among domestic animals, strict sanitary measures are enforced at all public livestock markets. The U. S. Bureau of Animal Industry has charge of this work, and in carrying out the various regulations cooperates with the officials of the different states and cities having markets within their borders. In cases where states have regulations covering admittance of livestock, which do not entirely conform to federal regulations, compliance with both state and federal regulations is required. Every animal received at a public stock yards must pass before the eyes of trained inspectors, and if slaughtered the carcass also must undergo inspection before it can be offered for human food.

This, however, is not all there is to the sanitation required by law. A slaughter house gets dirty with great rapidity; like a small boy, it requires constant cleansing. It is necessary that ceilings and walls be frequently

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1. American Livestock and Meat Industry. R. A. Clemen. Ronald Press, New York. 317-318.

scrubbed and whitewashed or painted, and that trucks, trays, and other receptacles, chutes, platforms, racks, tables, and all tools used in moving, handling, chuting, chopping, mixing, canning, or other processes be thoroughly cleaned each day. The employment of anyone who has tuberculosis or other communicable disease is forbidden. Clothing which comes in contact with the meat should be of a material that is readily laundered, and it should be cleansed each day. Many of the larger packers have established laundries and provide their workmen with fresh outerclothing daily. Personal cleanliness on the part of the workmen is insisted upon, and to such an extent is this carried that some establishments employ professional manicures who daily treat the hands of the girls handling such products as chipped beef.

In this matter of cleanliness and sanitation many of the packers throughout the country had been proceeding with improvements as a part of their regular business. For they had found out that nothing enters into competition in the packing business more than does sanitation. Accordingly, packers, in order to get ahead of their competitors, improved sanitary conditions. The government furthered this and set standards of general application.

Economic importance of inspection.- The economic importance of the federal inspection of meats and meat food products may be summed up as follows:

1. It is the instrument by which an important part of the export commerce of the United States has been secured and preserved.

2. It is a service in hygiene and sanitation of incalculable value to the country at large.

3. It is the most thoroughly equipped agency through which may be gathered the data necessary to the success of any broad program having for its object the conservation of the national meat food supply through the eradication of damaging and destructive diseases from the food animal herds of the country.<sup>1</sup>

### Livestock Exchanges

An exchange is a body of men representing some special line of business or industry organized for the purpose of furthering the interests of the industry as a whole and at the same time promoting and protecting the business of its members and patrons individually and collectively. There are two general classes into which exchanges may be divided:

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1. American Livestock and Meat Industry. R.A.Clemen. Ronald Press, New York. 344.

1. Exchanges organized to encourage buying and selling, such exchanges being concerned principally with bringing together of buyers and sellers and the enforcement of rules for the protection and benefit of both. Such exchanges do not themselves engage in trade, leaving the actual buying and selling to individual members. Livestock exchanges, grain exchanges, and stock exchanges (for the sale of stock and other securities) come under this head.

2. Exchanges organized by producers or manufacturers for the control and sale of their products. Such exchanges through their officers and managers engage directly in the business of holding, storing, grading and selling the products of their members. Under this classification would come the various fruit growers' exchanges.

Livestock exchanges belong to the first class and are all organized along practically the same lines so that a presentation of the aims of one will give a very comprehensive idea of all. For that reason the following, from the published Rules and By-Laws of the Omaha Livestock Exchange, is quoted as typical of all the livestock exchanges:

"The objects of this Association are: To maintain a commercial exchange; not for pecuniary gain or profit, but to promote uniformity in the customs and usages of members; to inculcate principles of justice and equity in trade; to

enforce correct and high moral principles in the transaction of business; to inspire confidence in the methods and integrity of its members; to facilitate the speedy adjustment of business disputes; to acquire and to disseminate valuable commercial and economic information; and generally to secure to its members and patrons the benefits of cooperation in the furtherance of their legitimate pursuits!"

The first exchange was organized to settle a never-ending dispute between commission men and packers regarding the dockage or shrinkage of hogs. Previous to 1884, when a carload of hogs was sold it was left to the buyer and seller to agree as to the dockage on stag hogs and pregnant sows. The wrangling and offensive tactics adopted by some buyers to secure more than a just dockage at last rendered the system intolerable. Chicago commission men called a meeting of both buyers and sellers and after a considerable time succeeded in formulating an agreement to have the docking or shrinking of hogs done by a disinterested party to be employed jointly by commission men and packers. To keep alive this agreement the Chicago commission men formed a permanent organization, incorporating it March, 1884, under the name of the Chicago Livestock Exchange. Other markets followed the lead of Chicago.

An organization having been formed it was natural that after settling the hog dockage problem other questions

should be taken up. One of the next moves was to fix or standardize commissions for the sale of all kinds of livestock. Before this was done each commission firm charged what it liked. Different firms not only had different schedules but they charged different men different prices for the same service. Thus a shipper who had influence over his neighbors, could, by inducing them to ship to a certain firm, get his own stock sold for half commission, or sometimes entirely free of charge. Under this system the little shipper paid full commissions while some of the bigger ones paid little or none at all, according to the size of their business and the extent of their influence.

The majority of producers shipping to market were agreed that uniform charges should be maintained in the interest of fairness. The actual amount of commissions to be paid was an entirely different question, and one that has given rise to more or less criticism. Such criticism, however, is only a continuation of the world's oldest commercial controversy between the men who render service and the men who pay for it, a controversy that will never end so long as men do business together.

The commission charges for buying and selling livestock are fixed by each individual exchange, and apply only to the market where the exchange making the schedule is located. Thus different markets may have different

commission charges, but as a rule they are not very far apart. The commissions prevailing at any point are subject to change by action of the livestock exchange. A schedule of commissions in force on any market can be obtained by anyone interested by writing the secretary of the livestock exchange at that point.

All the exchanges have very stringent rules for the regulation of their members and severe punishment for their infraction, ranging from fines to expulsion from membership. These rules are all in accord with state and federal laws governing business transactions, but they go much farther in that they prevent acts not in themselves illegal but acts that might lead to wrongdoing, dishonesty, and fraud. These rules not only protect commission men in their relations to each other but at the same time protect the commission men's customers, both buyers and producers.

When a complaint is lodged against a member, a regular hearing is held after the manner of a court of law. Witnesses are summoned and give sworn testimony and a verdict is rendered on the evidence. If the defendant has been guilty of fraud to merit such severity, he may be expelled from membership, which, at most points, means that he can no longer do business in the yards. In other words, he may be forced to give up a business that cost him a large

investment in money and years of hard work. It makes no difference whether the complainant is doing business in the yards or in the country.

Knowing the speed and certainty with which exchanges act, as well as the severity of the punishment, there is no encouragement for men of dishonest tendencies to engage in the commission business. Another fact that has rendered the livestock commission business a very unattractive field for men contemplating dishonest practices, is the requirement that each commission man or salesman must have an exchange membership, and that such memberships have ranged in value, at different times and points, all the way from one thousand to five thousand dollars. This initial expense, together with the exacting rules of the exchange has a strong tendency to maintain the personnel of the commission business at a high average standard. At some markets the exchanges have arranged for bonds to still further reduce the hazard of the owner or shipper of livestock, each commission firm being bonded for a sum large enough to cover an average day's business.

Some of the exchanges maintain a clearing house for expediting the collection of money from buyers of livestock. It requires a manager and several clerks to handle the business. Commission men send their bills to the clearing house and buyers send their checks in payment to the same

place, thereby saving both time and trouble. To still further expedite the return of money to the country the same night, the packers at some points do not wait for the making out of a bill but stamp the scale ticket, making the amount called for on the ticket payable to the packers' bank. Such scale tickets are cashed or deposited at the banks the same as checks. All these little time savers loom large when the extent of the business, running into millions of dollars per day, is taken into consideration.

Most of the larger exchanges employ a special traffic manager skilled in railroad matters to handle transportation troubles of shippers and to collect loss and damage claims. The charge for this service at the different markets is around fifteen per cent of the amount collected. If nothing is collected there is no charge. If legal action is necessary the charges run up to around thirty-three and one-third per cent of the amount recovered. The same charge is made for recovering overcharges. At the larger markets a big force of clerks in addition to a high salaried expert attorney is required to carry on this work.

The spread of tuberculosis among domestic animals, and the condemnation to fertilizer tanks of such animals by government inspectors, caused such heavy losses to both producers and packers that some of the larger exchanges took up the work of encouraging the eradication of the disease.

Experts were employed with assistants and office help to carry on an effective campaign. The exchanges work in cooperation with the U. S. Department of Agriculture and various state organizations and departments. The National Livestock Exchange has also taken up the work, which has added much strength to the movement for the eradication of the disease.

The local livestock exchanges are united into a national organization known as the National Livestock Exchange. The purpose of this organization, as set forth in the preamble, is "the promotion and development of the livestock industry in all its branches, and the protection of the interests involved." Meetings at which local exchanges are represented by delegates are held each year for the consideration of questions of national interest. At the time of the annual meeting in 1928, twenty-eight local exchanges held memberships in the national body.<sup>1</sup>

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1. Annual Meeting, National Livestock Exchange, 1928.  
Fred Olander.

### Present Day Markets

It is impossible to say just how many livestock markets there are in the United States, as it is largely a matter of judgment as to when a certain point ceases to be a mere receiving, loading, or distributing station, and becomes a real market. Early in 1922 when the Department of Agriculture undertook the supervision of stock yards, as provided in the Packers and Stock Yards Act, it declared 69 stock yards located in 34 states to be public stock yards within the meaning of the law, but many of them do not carry on buying and selling of livestock to any great extent and are of local importance only. It must be understood that many of these points receive stock that is loaded and forwarded to other market points and also stock that has been shipped from a market to be turned over to local packers or other buyers, so that the same stock is sometimes counted more than once. Market papers generally recognize as the seven leading or central markets, Chicago, Kansas City, Omaha, St. Louis, St. Joseph, Sioux City, and St. Paul. At Chicago fifteen or more points are recognized as of sufficient importance to be included in the list of markets regularly reported in the daily market paper, and the arrivals at twenty markets are included in its tables of receipts.

The map on the following page shows the location of the principal livestock markets of today. The table following gives the number of markets under federal supervision, the total number of selling agencies, and the total number of buyers, dealers, and speculators on these supervised markets.

Analysis of this table shows that livestock is sold by a large number of agencies while the number of buying forces is small, and it is for this reason alone that producers of livestock feel that they should own and operate their own selling agencies, hence we have the various cooperative livestock selling agencies on the various livestock markets today.

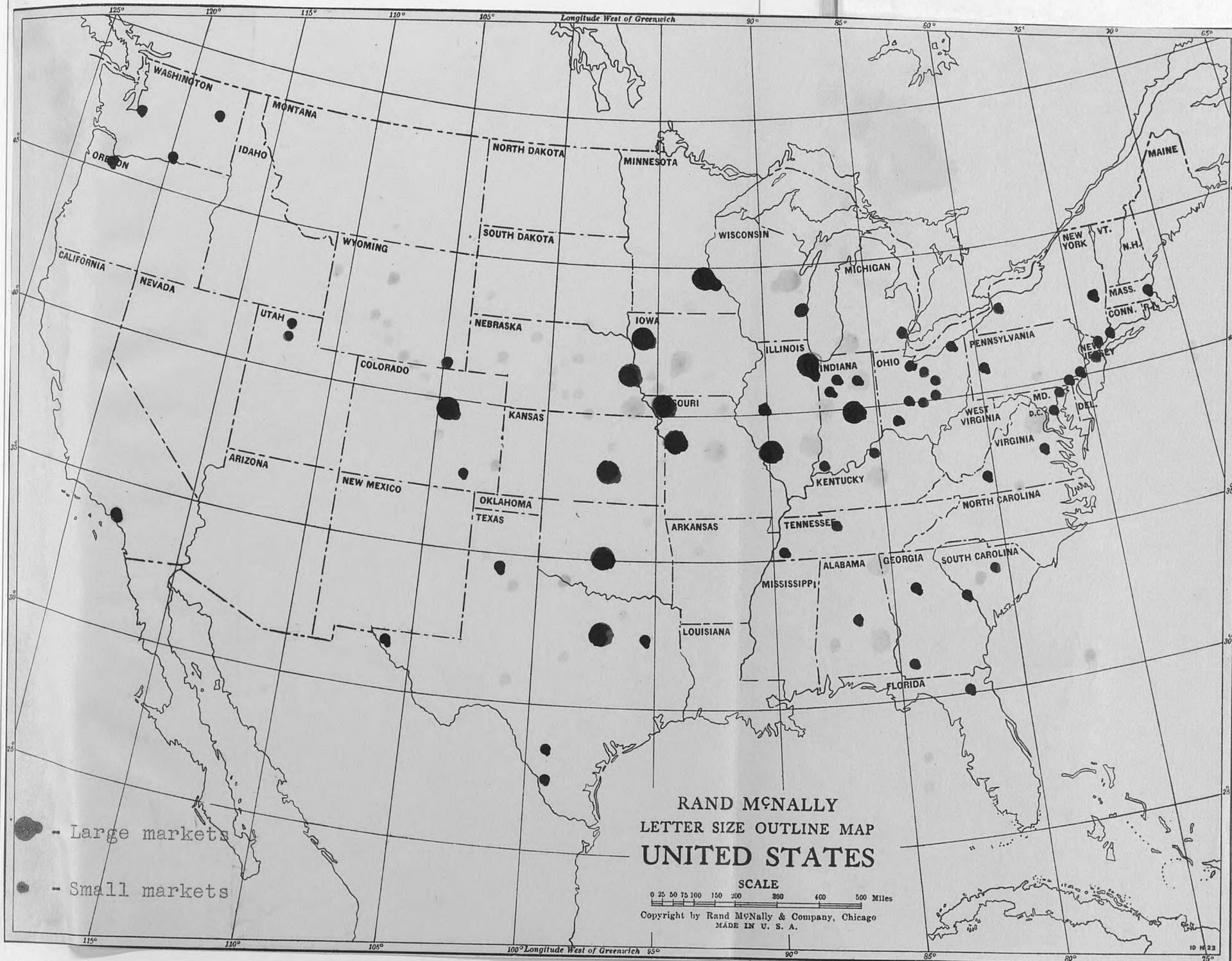


Table I. The number of markets, with number of selling agencies and dealers.

Number of markets under federal supervision	Number of selling agencies	Buyers, traders and speculators
77	1265	* 4,455

(\*) There are several different classes of buyers:

- (a) Packer buyers - usually thought of as Swift, Armour, Morris, Wilson, and Cudahy.
- (b) Order buyers - who buy or order for firms not having a slaughter house at that particular market.
- (c) Traders or speculators - especially in thin cattle, or stocker and feeder division.

## METHODS OF MARKETING LIVESTOCK COOPERATIVELY

### Local Shipping Associations

Livestock is marketed cooperatively through two main types of associations. (a) The local shipping associations and (b) The terminal cooperative commission associations. The local shipping associations were, for the most part, the pioneers in the cooperative livestock marketing field and they paved the way for the establishment of many of the cooperative livestock commission agencies.

The cooperative shipping associations handling livestock might be roughly divided into three classes.

(1) In the first class would be put those organized for the purpose of shipping livestock for patrons on a commission basis, commonly classed as shipping associations.

(2) In the second class are those organizations engaged in other lines of business but with a separate livestock department handling the stock on a commission basis.

(3) In the third class would be those cooperative concerns which buy and sell livestock as part of their regular business. C. G. Randell, Economist with the U. S. Department of Agriculture, stated at Manhattan, Kansas

during Farm and Home Week program February, 1928 that there were 3,000 livestock shipping associations in the United States and 2,000 other associations that handle livestock as a side line.

The formation of livestock shipping associations is comparatively simple. A group of men decide to organize such a cooperative association. They meet by agreement at some convenient point and form a temporary organization, with a presiding officer and a secretary. A committee on organization is then appointed to draw up articles of association. Following this, the usual rule is to meet and consider and finally adopt the report of this committee. Such a report provides for the election of a president, vice president, secretary, treasurer (separate or combined), and a board of directors. The latter, who may consist of three or five persons (five if the association is incorporated), are responsible for the general management of the association. They elect a manager, who cares for the marketing side of the business. No capital is necessary in forming a shipping association as the cost of business is cared for from the sales. A nominal membership fee, as for example, one dollar, may be charged.<sup>1</sup>

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1. Marketing Farm Animals. C. S. Plumb. Ginn & Co. New York. 215-216.

The methods used by livestock shipping associations do not materially differ in essentials. The general practice is as follows: Each member of the association is supposed to market his stock through the association. When ready, the owner of stock to be shipped reports on the animals he has for shipment, either by letter or by telephone, to the manager. He gives the necessary information as to kind, number, and approximate weight, so that suitable arrangements may be provided for car shipment. If there are several consignors for one shipment, then each lot must be marked or graded and separate records kept. When shipments are of the same class, as is often the case with hogs, the manager may grade them and make the necessary pro rata settlement with each consignor. Hogs or sheep are commonly sold in groups, when at all uniform, for otherwise too much time would be employed in separating them out in the yards. However, stags or piggy sows are handled as individuals. The manager attends to receiving the livestock and its loading at the shipping station, and consigns it to such market as he desires.<sup>1</sup>

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1. Marketing Farm Animals. C. S. Plumb. Ginn & Co. New York. 215-216.

The manager may consign to either a (1) terminal cooperative agency or old line commission firm, or he might ship them (2) direct to the packer, might ship to a (3) concentration point where they will be sold and re-shipped, might sell (4) by special methods: (a) auction sales, (b) yield basis, (c) central agents. All of these various methods have been employed by organized groups of livestock producers and they will be discussed separately.

#### Terminal Cooperative Commission Associations

The first attempt of livestock producers to establish their own selling agency on a terminal market, according to available records, was made in 1889. In March of that year, stockmen organized the American Livestock Commission Company, which was incorporated under the laws of Illinois, with an authorized capital of \$100,000, consisting of 1,000 shares at \$100 each. The shareholders were the State Farmers Alliance of Kansas, Nebraska, and Missouri, and the Kansas State Granges. According to the plan of organization, no one person or association could own more than 25 shares. Profits were to be distributed among the shippers and shareholders. Sixty-five per cent of the earnings available for refund were to be paid to the shareholders in proportion to the amount of livestock shipped

by each, and the remaining 35 per cent in proportion to the number of shares of stock owned.

The organization began business in May, 1889 with a paid-up capital of \$25,000. Cooperative commission firms were established on the Chicago, Kansas City, St. Louis, and Omaha markets. On November 30 of that year, \$40,494 in profits were divided among the stockholders. In January, 1890 the capital stock was increased to \$250,000 of which a total of \$49,000 was paid in. For the year ending December 1, 1890 the company collected at the four markets more than \$101,000 in commissions and sold more than \$2,500,000 worth of livestock.

The manager of the Chicago company obtained a membership in the livestock exchange and the company operated under the membership until after the first refund to shippers had been made. Soon afterward the membership was lost and not recovered, although court action was taken. Later a certificate of membership in the exchange was purchased from a member thereof, but the exchange refused to approve the admission to membership of the person to whom it was sold. Without a membership it was impossible to operate successfully on the market, so the company discontinued business. Subsequently the agencies at the other markets ceased operation.

The establishment of the Co-Operative Livestock Commission Company was the second attempt of the livestock producers to operate their own sales agency. According to the reports of this early organization, efforts were made by private commission companies in 1905 and 1906 to secure an advance in commission charges. The livestock organizations made plans to protest against the proposed increase in rates.

Committees were appointed from the American National Association, Corn Belt Meat Producers' Association, Texas Cattle Raisers' Association, Montana Stock Growers' Association, National Sheep Growers' Association, and other organizations. These committees were instructed to choose and send representatives to the different livestock markets to confer with the livestock exchanges relative to the proposed advance in commission charges. Conferences were held in Chicago, Kansas City, and Omaha but no definite agreement was reached. The advance in commission rates became effective at Sioux City, Omaha, South St. Joseph, and Kansas City on January 2, 1906 and at Chicago on April 9, 1906.

In April, 1906 representatives from the American National Livestock Association, National Wool Growers' Association, Corn Belt Meat Producers' Association, Texas

Cattle Raisers' Association, and Colorado Livestock Association, together with individual stockmen held a meeting in Denver, at which it was decided to organize a cooperative livestock commission agency. A committee was appointed to investigate conditions and submit a report, including a plan of organization, at a meeting to be held in Denver on May 29.

The committee reported on the date, and the Co-Operative Livestock Commission Company was organized under the laws of Colorado with a capital stock of \$100,000 in shares of \$10 each, nonassessable. No stockholder was permitted to own more than 50 shares. The articles of incorporation provided that dividends on the capital stock, to the extent of 8 per cent per annum, should be paid first out of any profits made, any remaining profits to be distributed among the patrons of the company without regard to whether or not they were shareholders or to the amount of stock held by each. The plan was to sell livestock at the commission rates which had prevailed prior to the advance.

As soon as the organization of the company was completed, notice was sent to members of livestock organizations and to stockmen throughout the west, inviting them to become members of the company. By January 1, 1907 more than 1,000 western stockmen had joined the Co-Operative Livestock Commission Company. The company began business

at Chicago and Kansas City on September 1, 1907.

Within five months after the cooperative was started, it reached a paying basis on the old rate of commissions, and the business in January and February showed a profit over all expenses. The association at this point became the subject of attack by different interests; their outlets, particularly for stocker and feeder cattle were seriously impaired, with the result that shippers in the country became alarmed and failed to support the house. In the face of this discrimination on the part of some buying agencies, business declined and financial losses were sustained. The cooperative at the Kansas City market filed a suit for damages against the Traders' Exchange and in June, 1909 secured a judgment of \$58,000. However, the decision was ultimately reversed in the supreme court of Missouri. Finally, as a result of these difficulties, the Co-Operative Commission Company discontinued business at all three markets. The Chicago house, the last to close, ceased operation on December 31, 1909.

The experience of livestock producers in the establishment of the two cooperative associations described above, convinced them that there was merit in the plan of the producer marketing his own livestock. Seven years elapsed, during which time cooperative leaders kept the idea in

mind. (1) Farmers were dissatisfied with the high commission rates charged for the selling of their livestock. (2) Many stockmen felt that the service rendered by commission agencies could be improved. (3) Farmers wanted to get in business for themselves. The next attempt to market livestock through producer-owned agencies at terminal markets was made in 1916.<sup>1</sup>

#### Farmers Union Livestock Commission Associations

The history of the Farmers Union Livestock Commission Associations is bound up with that of the Farmers Educational and Cooperative Union of America, a nationwide farm organization which was chartered in Texas in 1902. This organization embraces many activities other than the marketing of livestock and now includes state or local associations in about twenty states. The marketing agencies are usually incorporated, nonprofit, nonstock institutions. Some of these marketing agencies market cotton, tobacco, grain, produce, fruit, and other agricultural products as well as livestock.

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1. U.S.D.A. Technical Bulletin No. 57. C.G. Randell. 678-679.

The first Farmers Union livestock commission house was established at Omaha, Nebraska in 1917 by the Farmers Educational and Cooperative Union of Nebraska. Some difficulties were encountered at first. The original plan was to pay patronage, dividends to members of the Farmers Union. Later it was decided to pay dividends to all patrons. When the Packers and Stock Yards act was passed in 1921 the question arose as to who should be construed as members under the law. The concensus of opinion seemed to be that only members of the Farmers Union were eligible to receive patronage dividends. Accordingly, in the summer of 1922, a plan was adopted to provide for livestock-commission memberships for those who did not belong to the Farmers Union. Each of these shippers was to pay \$1.00 for a membership. Much confusion arose over the question as to how these "dollar members" would have any voice in the management of the house, but the plan was followed from August, 1922 until February, 1924 when several farm organizations began the joint operation of the commission office under a marketing agency contract which made each of the farm organizations that signed the contract a virtual partner in the conduct of the business.

Other companies were formed by various state Farmers Union organizations on the following terminal markets:

(a) St. Joseph, Missouri in September, 1917.

(b) Sioux City, Iowa on August 1, 1918.

A branch house at Sioux Falls, South Dakota  
September 7, 1925. Closed April 24, 1926. Not  
profitable.

(c) Kansas City, Missouri in October, 1918.

A branch house at Wichita, Kansas in 1923.

(d) Denver, Colorado in July, 1919.

(e) East St. Louis, Illinois on November 16, 1921.

(f) Chicago, Illinois in May, 1922.

(g) South St. Paul, Minnesota in May, 1922.<sup>1</sup>

General Plan of Organization.- Farmers Unions are chartered as corporations under the laws of various states in which they operate. These companies have an authorized capital all of which is common stock, divided into shares, at \$1.00 each. The ownership is usually limited to one hundred shares per individual. The shareholders must be members of a bona fide farm organization and if they cease to be members of such an organization, the board of directors may demand surrender of the certificates held. An agreement to this effect is signed before the member can

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1. U.S.D.A. Technical Bulletin No. 57. C.G.Randell.  
46-47.

receive any stock, or participate in any of the earnings of the association. The plan of management usually consists of a board of directors, of from 5 to 7 members. Compensation is allowed directors attending meetings, but no director can perform any paid service for the organization. The board of directors has power to hire the manager and other employees and fix their salaries and to direct the business policies of the company. It is customary to set aside 10 per cent of earnings for reserve and to pay 8 per cent dividends on stock, before distributing any patronage dividends.

The management of the association felt that a change should be made in the refund policy. They felt that the earnings should be allowed to accumulate so that a substantial reserve could be built up which would be available to stockmen in financing their feeding projects. At South St. Joseph, Missouri and at Omaha, Nebraska, Farmers Union Livestock Commission Credit Companies have been established. The funds available are secured through the Federal Intermediate Credit Bank and supplied to the borrower at actual cost including the operating expense of the association.

The Farmers Unions are not members of livestock exchanges. They usually belong to a market practice committee, which establishes trading rules and regulations

on the particular market on which they operate.

The table following gives the volume of business done by these various Farmers Union Livestock Commission Associations, since the figures were available.

A study of the figures in Table II shows that every association sells more hogs than cattle and sheep combined. This is due to the location of these markets and also to the class of livestock production that is generally followed by the farmers in that particular section of the country.

The data from which this summary was made also show that the percentage of market receipts increase from the time of the organization started on each of the terminal markets up until the latter part of 1923 and 1924. Since that time, with one exception, all these agencies show a small decrease in percentage of market receipts. This is due in all probability to the establishment of other producer-owned agencies on terminal markets, or the building of concentration yards and selling direct to packers.

The local shipping associations are the backbone of terminal Farmers Union livestock commission companies business. At Omaha, Nebraska 40 per cent of the total business handled in 1926 came from shipping associations. At South St. Joseph, Missouri it is estimated that 8,000

Table II. Livestock handled by Farmers Union Commission Companies.<sup>1</sup>

Market	Years in operation	Livestock Sold Number of Head				Percentage of market receipts	Total head purchased	Total head handled
		Cattle	Hogs	Sheep	Total			
Omaha, Nebraska:	1918-26	492,397	3,415,639	222,164	4,130,200	5.9	111,444	4,241,644
S. St. Joseph, Missouri:	1918-26	435,286	3,353,689	243,471	4,032,446	12.1	50,362	4,082,808
Sioux City, Iowa	1923-26	144,255	1,733,755	40,635	1,918,645	11.0	115,304	2,033,949
Kansas City, Missouri:	1924-26	329,859	727,073	119,460	1,213,831	6.0	78,431	1,292,262
Wichita, Kansas	1924-26	85,487	78,159	8,753	172,399	5.2	15,511	187,910
Denver, Colorado:	1919-26	73,786	479,623	522,193	1,075,602	5.1	56,612	1,132,214
East St. Louis: Missouri:	1921-26	780,170	3,407,400	320,326	4,507,896	14.6	11,439	4,519,335
Chicago, Illinois:	1922-26	265,821	1,441,070	456,643	2,103,534	2.8	8,673	2,112,207
St. Paul: Minn.	1922-26	219,963	785,285	60,489	1,065,737	4.3	18,931	1,084,668

1. U.S.D.A. Technical Bulletin No. 57, 1928. C. G. Randell.

shippers consigned to the agency in 1926. Among these were members of 200 local shipping associations. These associations supplied 85 per cent of the total business handled by the firms at East St. Louis, Illinois. Members of these cooperatives in 1926 numbered 60,000 producers, including members of 500 shipping associations. About 25 per cent of the business comes from carlot shippers.

#### Central Cooperative Association of Minnesota

The foundation for the Central Cooperative Association at South St. Paul, Minnesota was laid when the Northwestern Cooperative Livestock Shippers Association began functioning on February 14, 1918. This association was the result of a federation of the shipping associations in the trade territory of the St. Paul market. For the first two or three years it dealt with such problems as freight service, securing better service at the terminal markets, and securing legislation favorable to the shippers.

In 1921 it took the initial step in forming the Central Cooperative Commission Association by calling a meeting of the officers of the Northwestern Association on April 27, at which meeting the cooperative was organized. The Central Cooperative Commission Association was incorporated under the cooperative laws of the State of Minnesota in May 1921. The capital stock was first fixed

at \$25,000 but was almost immediately increased to \$100,000. The stock is divided into \$50,000 of common stock with a par value of \$25 per share, which shares are sold to local cooperative shipping and marketing associations; and \$50,000 preferred stock with a par value of \$1 per share, which is sold only to producers of livestock who are not so situated as to market through a shipping association. Each local shipping association owning one or more shares of common stock has one vote, and each individual who has one or more shares of preferred stock has one twenty-fifth of one vote.

When the Central Cooperative Commission Association began business on August 8, 1921 it filed a schedule of commission rates which were approximately 20 per cent below the exchange rates on the St. Paul market. This organization is doing business with approximately 750 shipping associations, which in 1927 had a total of 125,000 members, and 29,000 individual producers who were not shipping through associations. Eight per cent dividends ( the maximum allowed by the Minnesota cooperative law) have been paid on capital stock of the association since it was organized.

The Central Cooperative Commission Association defined its purpose as follows: (1) To establish better service at the terminal markets. (2) To reduce marketing costs.

(3) To create a wider outlet for livestock arriving at the market. (4) To eliminate as far as possible the speculation on livestock. (5) To bring about a more orderly system of marketing livestock throughout the country. The table following shows the summary of the business done by the Association since January 1, 1922.<sup>1</sup>

These figures show that in 1927 they sold 1,457,495 head of livestock valued at approximately \$35,000,000. This is probably the largest volume of business handled by a commission firm, either private or cooperative, at any one market. One must also keep in mind that this association charges commissions which are approximately 20 per cent lower than regular rates. These figures also show that 71.9 per cent of the total volume of business done by this association was with hogs. Fifty-four per cent of the cattle business was selling calves which were in all probability largely from small dairy farms. A letter from general manager Montgomery states that 90 per cent of the business originates through the shipping associations. It is estimated by the officials of the agency that they handle about 50 per cent of the local shipping associations'

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1. Reports of Manager Joe S. Montgomery.

Table III. Summary of business of Central Cooperative Association by years. 1922-1927<sup>1</sup>

Year	Cattle	Calves	Hogs	Sheep	Total head	Cars received	Average cost to handle per car	Net income per car	Capital stock dividend	Patronage refund
1922	131,897	117,219	691,356	58,858	999,330	15,571	\$ 8.27	\$ 6.53	8 %	32 %
1923	139,722	143,615	1,072,476	53,668	1,409,481	20,337	8.64	4.73	8	25
1924	126,840	150,889	1,083,952	58,349	1,420,030	20,017	9.55	5.07	8	30
1925	135,847	175,040	987,075	70,015	1,367,977	20,009	9.92	5.67	8	30
1926	176,272	212,063	1,031,323	103,220	1,522,878	22,946	9.84	6.43	8	35
1927	142,831	186,700	1,017,350	110,714	1,457,595	21,190	11.41	5.11	8	30
Total six years	853,409	985,526	5,883,532	454,824	8,177,291	120,072	57.63	33.54	48	182
Per-cent-age and average	10.5+	10.8+	71.9+	5.6+	100 %	20,012	9.65	5.59	8	30.3

1. Reports from Manager Joe S. Montgomery.

business at this market. Approximately 6 per cent of the livestock received comes by motor truck. Purchases of stockers and feeders for members are handled through a special department of the agency. No credit corporation had been organized by the agency up to 1927, but the establishment of such a service is being considered by the association. The company's total reserve in May, 1927 amounted to \$102,000.

Three general types of field work are stressed by the association: (1) Assistance in organizing shipping associations in territory not already organized. (2) Assistance at annual meetings of shipping associations and in other matters requiring a means of contact between the local and the terminal organizations. (3) Visiting shippers for the purpose of keeping in touch with them, adjusting possible complaints, and discovering means for the general improvement of the service.

The organization has taken an active interest in boys' and girls' club work, especially in the support of the junior livestock show held annually at South St. Paul.

This organization has its own official organ, The Cooperative Shipper, a monthly publication with a circulation list of 38,000 stockmen.

At the annual meeting in February, 1927 the association voted to strike out the word "commission" from its name and to be known in the future as the Central Cooperative Association.<sup>1</sup>

#### THE COMMITTEE OF FIFTEEN

A short review of the way in which the committee came to be organized, followed by brief comments on its probable usefulness may be of interest.

#### Object

On May 15, 1920 a committee of fifteen, purporting to represent the producers of livestock in the United States, was created at Chicago with full authority to meet with the committee representing the packers and other interests and to do whatever seemed to it to be necessary to promote the interests of the producer.

This committee is the result of a meeting in Kansas City on April 12, 1919 of producers representing the leading states in the corn belt and the western and southern livestock associations; which in turn was the outgrowth of

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1. Reports of Manager Joe S. Montgomery.

a joint meeting in Chicago on March 10 and 11 of eighteen producers and twenty-six packers. The responsibility for the Chicago meeting dates back to the annual convention of the Kansas Livestock Association, February 20 and 22 at Hutchinson, Kansas where Mr. Thomas E. Wilson of the packing firm of Wilson & Company, addressed the association and conferred with the executive committee, urging closer cooperation between the packers and the producers. As a result, it was agreed that a conference between the packers and the Kansas representatives, including such other stockmen as they might invite, should be held in Chicago at some later date, in order to formulate more definite ideas and work out a practical plan of putting them into effect.

#### Recommendations of Committee

In the report of the Chicago meeting of March 10 and 11, no mention is made of the fact that at least two of the producers present were not in favor of the joint committee plan, and protested vigorously against it. The meeting at Kansas City on April 12 was strictly a producers' meeting and resulted in the abandonment of the joint committee plan, and a recommendation that a strictly producers' committee of fifteen be created.

"The committee shall consist of fifteen members, of whom four shall represent the range interest, eight the feeding states, two the hog industry, and one the sheep industry.

"Representatives of the five large packers met with the committee on the 15th and indicated their desire to cooperate with it in working out problems of mutual interest. It was agreed that the best way to make progress was through the appointment of each interest of small subcommittees, whose duty it should be to consider in detail matters of special interest. Accordingly both the packers and the producers created the following subcommittees: Executive, Advertising, and Distribution. The producers also named subcommittees on Marketing and Farm Bureaus. Among other things, it will be the duty of the producers' executive committee to consider carefully the field which should be covered by the committee, and recommend general policies for adoption by the full committee. The subcommittees will also make recommendations as to their particular subjects."<sup>1</sup>

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1. The Producer. E. L. Burke. 1:1:16-17. 1919.

## Results of Investigation

In accordance with this authorization, President J. R. Howard appointed the Farmers Livestock Marketing Committee of Fifteen on January 3, 1921. Its personnel was national in character, and was made up of several of the more prominent students of the problem. After study and investigation covering many months, the committee reported to President Howard that it was ready to make its report and asked that a National Livestock Conference be called. This was done and on November 11, 1921 this conference, after two days' consideration unanimously adopted the report of the committee.

The plan submitted by the committee and adopted by the conference was frankly built upon the cooperative marketing principle. In brief the committee recommended that: To provide the required agencies for the effective handling of the livestock marketing problems and otherwise promote the best interest of livestock producers it is necessary for the producers themselves to have:

1. Producers' livestock commission associations established at the terminal markets to render service to individual producers and cooperative livestock shipping associations.

2. Producers' stocker and feeder companies established in connection with terminal commission associations.

3. A national organization of livestock producers to correlate and direct the whole movement and carry on a broad campaign of marketing education.

4. Cooperative livestock shipping associations established at shipping points where available business will justify and local sentiment approves.

These corrective recommendations were based upon certain conclusions which are so clearly stated in the preamble of the report that it is quoted as follows:

"The committee early found that the problems in connection with livestock marketing which the committee would be obliged to consider involved cooperative marketing, orderly marketing, livestock production, marketing information, transportation, and finance.

"Such livestock organizations fairly and ably represent special livestock interest or regions of production. Yet these for the most part have not been sufficiently financed, nor are they sufficiently national in scope to function strongly and effectively.

"The need for a national livestock organization representative of a very large number of the rank and file of livestock producers in all parts of the United States has long been felt. Such an association properly financed

and directed should be able to represent wisely and with authority the livestock producers' interests, wherever and whenever they are concerned.

"The committee has come to feel that such an organization can best be built with more efficient livestock marketing as its primary purpose. Without becoming a burden to anyone, such an organization should grow to be largely representative to livestock producers and easily become self-supporting.

"The building of such an organization hinges upon the willingness of livestock producers to cooperate in marketing their livestock, and it is convinced that until they do so cooperate, there is little hope of substantial and permanent improvement in livestock marketing.

"The cooperative marketing plan approved was built from the ground up. The individual livestock producers of the United States constitute the foundation. Producers are being strongly urged to join the local cooperative livestock shipping associations. However, if for any reason they do not find it to their advantage to do so, they may still avail themselves of the selling-at-cost features consigning their stock direct to a producers' livestock commission association that is owned and controlled by live-

stock producers themselves."<sup>1</sup>

National Livestock Producers Association.- As a result of the adoption of the committee of fifteens' report, the National Livestock Producers Association was organized in December, 1921. This association was organized and incorporated under the laws of Illinois as a nonstock, non-profit type of cooperative. The objects for which the association was organized are set forth in the articles of incorporation as follows:

"To be an agricultural organization instituted for the purpose of mutual help without having capital stock and not to be conducted for pecuniary profit; to promote the general welfare of livestock producers, and to provide better and more economical methods of marketing and buying livestock; to buy, handle, sell, and market livestock for its members and others; to cooperate by contract and otherwise with other associations or individuals conducting business for similar purposes; to reduce speculation, manipulation and waste in the marketing of livestock, and to establish local and terminal agencies and associations to carry on the business of marketing livestock."<sup>2</sup>

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1. American Livestock and Meat Industry. R.A. Clemen. Ronald Press, New York. 665-666.

2. National Producers' Association. January, 1928.

The association is maintained by the payment of dues by the member agencies. Amount of such dues is based upon the number of carloads handled at the rate of fifty cents (50¢) per single and seventy-five (75¢) per double deck cars. The National Association has no other source of revenue. The early activities of the association were financed from a fund created by loans made by the Indiana, Illinois, Iowa, and Ohio farm bureau federations. All of these debts have been liquidated and the National now has no outstanding indebtedness. The organization began business in Chicago with two paid employees, in December, 1921. The plan was to establish cooperative commission agencies on the principal livestock markets wherever a farm organization or group of farm organizations could present evidence to show that an agency could be supported.

The first project undertaken was the establishment of a cooperative commission agency at National Stock Yards, East St. Louis, Illinois. The Illinois Agricultural Association and the Missouri Farm Bureau Federation also cooperated in this project. The agency was opened January 2, 1922. Producers cooperative commission associations were opened at five other central markets that year - The Producers Commission Association, Indianapolis, Indiana, May 15; The Chicago Producers Commission Association,

Chicago, Illinois, June 19; The Peoria Producers Commission Association, Peoria, Illinois, June 25; The Producers Cooperative Commission Association, East Buffalo, New York, November 1; and The Cattle Raisers and Producers Commission Company, Fort Worth, Texas, November 1.

The following year, 1923, six more agencies were established: The Producers Commission Association, Kansas City, Missouri, March 5; Producers Commission Association, Sioux Falls, South Dakota, May 3; Producers Cooperative Commission Association, Cleveland, Ohio, May 15; Producers Commission Association, Oklahoma City, Oklahoma, July 2; Evansville Producers Commission Association, Evansville, Indiana, September 1; and Producers Cooperative Commission Association, Pittsburgh, Pennsylvania, October 8.

On June 8, 1923 the Producers effected an affiliation with the Farmers Union at Sioux City, Iowa. The business was operated under the name of Farmers Union and Producers Commission Association. The arrangements made at that time were tentative and the Producers withdrew from the organization on November 1. On October 1, 1923 the Central Cooperative Commission Association of South St. Paul became affiliated with the National Livestock Producers Association and was a member until October 1, 1924 when it withdrew from the association.

On March 15, 1924 the Producers Commission Association was opened at Sioux City, Iowa. On February 10, 1925 the Producers Cooperative Commission Association at Cincinnati, Ohio was organized. On May 1, 1926 the Michigan Livestock Exchange affiliated with the National Livestock Producers organization.<sup>1</sup>

Terminal Agencies.- A contract between the association and its terminal agencies specifies the responsibilities and duties of both parties. In this contract the association agrees to perform all the obligations and functions set forth in the by-laws of the National Livestock Producers Association, and the terminal commission association members agree to abide by the several provisions of these by-laws and the rules and regulations promulgated from time to time by the board of directors of the national organization.

The main activities of the national association lie in the general field of livestock marketing, in which the individual terminals can function only to a limited extent. These activities or functions include legislation, transportation, organization, publicity, and work on research

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1. Report from the National Association, Chicago, Illinois, 1927.

problems. In addition, the various terminal agencies have been assisted in the promotion of more efficient operating practices. Some specific projects handled by the national association directly are the lamb pool, the calf pool, the credit corporation, and the promotion of the boys' and girls' clubs. A monthly marketing paper is published, which has, at present, approximately 175,000 subscribers.

The National Livestock Producers Association is managed by the board of directors, chosen from the directors of the member terminals by the terminal boards themselves. This tends to give the organization a closer connection with its member agencies. Each terminal has equal representation - one director on the national board.

Membership in terminal producers associations is limited to individuals, partnerships, and corporations that are bona fide livestock producers, either as breeders, or feeders, or both. An organization acting as a livestock shipping association may, through its proper officers, make application on behalf of his members who are bona fide livestock producers, to become members of this association. There are around 250,000 bona fide livestock producers in 28 states who are members of the National Association and who patronize one or more of the producer cooperative commission agencies on the 13 terminal markets on which they operate.

The average terminal agency is organized in the same manner as most old line commission firms. They all have a general-manager, who is in charge of all the business. There are usually the following departments with a manager for each one: Cattle department; Hog department; Sheep department; Stocker and feeder department; Office and publicity.

Some agencies, because of the volume of business done and size of market, have subdivisions under each department mentioned above, and other departments which have special duties to perform. Chicago producers for example, have four hog alleys which they have salesmen in at the present time. The manager of the hog department is also manager of the Chicago Stocker and Feeder Company, a subsidiary of the Chicago Producers, which buys hogs and sometimes cattle, one day, and then offers them for sale the next day. The purpose of this department is to try and stabilize price, especially when big heavy runs are coming to market. They also maintain a claims department whose purpose is to collect claims which arise from shortages, crippling, dead, delays in reaching the market, and all other factors. Since they began operation of this department in 1925, they have returned to the producers

\$39,857.00 from overcharged claims or errors in freight charges, and death losses, shortages, etc.<sup>1</sup>

Throughout its growth and development some slight changes have occurred in the personnel of the membership of the National since the establishment of the various terminals.

The Sioux Falls house was found unprofitable because of the withdrawal of two prominent purchasers from that market, and a transfer was made to the Sioux City market where, for seven months the Farmers Union and the Producers operated as a unit. Conflicting interests caused a separation of the two houses which have since operated independently.

The Oklahoma City agency was forced to suspend operations February 1, 1926 due to a rigid boycott established by the Livestock and Traders Exchanges of that market, which made impossible the continuance of operations.

Just recently the National board took action severing relations with the Fort Worth agency because of the failure of that terminal to comply with the membership requirements of the National Association.

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1. Report of D. L. Swanson, Chicago. 1927.

Two attempts have been made to establish branch agencies of existing Producer terminals but neither has been successful. The Sioux City agency attempted to re-establish Producer representation on the Sioux Falls market following a revival of purchasing interest on that market. This branch was opened September 1, 1925 and closed December 15, 1925 as these few months of operation clearly indicated the impossibility of making the branch a financial success.

The Cleveland agency had a similar experience on the Toledo market and after nearly a year's operation, January 15 to December 31, 1925, closed the branch office.<sup>1</sup>

Activities of the National Association.- Since the opening of the first terminal agency at the National Stock Yards, East St. Louis, Illinois in January, 1922 the thirteen producer-owned and operated associations affiliated with the National Association have handled 27,989,320 head of livestock valued at \$633,191,276.00 during the six years of operation. Their net earnings for this period were \$1,559,590.00. The table following gives a summary of the business done by years, 1922 to 1927.<sup>1</sup>

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1. Reports from Association office, 1926.

Table IV. Summary of total business by years (1922-1927) of the thirteen terminal agencies affiliated with the National Livestock Producers Association.<sup>1</sup>

Year	Cattle	Calves	Hogs	Sheep	Total	Number of cars sold	Percentage of market receipts	Total cars handled. Sales and purchases
1922	90,612	49,737	1,019,859	99,527	1,259,735	18,590	6.46	19,043
1923	411,077	276,487	3,797,315	421,730	4,906,609	70,972	9.18	72,255
1924	581,662	431,666	4,801,004	713,659	6,527,991	90,910	10.46	93,742
1925	465,637	346,009	3,336,842	701,230	4,849,718	67,575	8.86	71,144
1926	513,294	384,861	3,336,842	950,935	4,854,549	69,605	9.41	72,527
1927	451,150	398,178	3,574,846	1,166,554	5,590,728	76,272	10.5	29,520
Total	2,513,432	1,886,938	19,535,325	4,053,635	27,989,330	393,924	...	408,231

1. U.S.D.A Technical Bulletin No. 57, 1927. C. G. Randell.  
Reports from National Producers Association, 1927.

Value of livestock handled	Gross Income	Expenses		Operating: cost per car	Net Earnings
		Amount	Per Cent of value		
\$ 27,096,730	\$ 317,712	\$ 222,963	0.82	...	\$ 94,749
91,568,957	1,208,727	800,810	.87	\$ 11.08	407,917
122,728,193	1,526,903	1,101,917	.90	11.75	424,986
126,524,313	1,202,760	989,700	.78	13.91	213,061
134,259,004	1,237,821	1,065,593	.89	14.69	172,228
131,014,076	1,364,506	1,117,858	.85	14.05	,246,648
633,191,276	6,858,433.54	5,298,843	.85	13.09	1,559,590

The management of these terminal agencies handling this business states that from 25 to 95 per cent of the total volume of business comes from local shipping associations. The June 23, 1928 weekly news courier on successful cooperation, states that over 50 per cent of the business done by terminal cooperatives came from 5,000 local cooperative associations.

During the six years of operation, ten states consigned 380,297 cars of the total 393,924 cars sold by the Producers. The ten states and number of cars furnished by each are given in the table following.

Illinois	106,345
Indiana	76,938
Iowa	47,167
Missouri	41,095
Ohio	36,996
Michigan	24,240
Texas	20,134
Minnesota	14,548
South Dakota	7,612
Wisconsin	<u>5,222</u>
TOTAL	380,297

These figures indicate that the majority of the business comes from the farmers located in the corn belt states. The relative percentage of each class of live-

stock handled by the producers associations in 1927, is given in the table following.

<u>Kind of stock</u>	<u>Number of cars</u>	<u>Percentage</u>
Mixed	23,900	31.3 %
Cattle and calves	13,744	18.0
Hogs	33,562	44.0
Sheep	<u>5,066</u>	<u>6.5</u>
TOTAL	76,272	100.0

These figures show that these agencies handle more hogs and mixed cars of livestock than they do straight cattle and sheep. The origin of both hogs and mixed cars is usually from the small producer and it was for this reason that producer-owned and producer-operated selling agencies were established on the terminal markets in order to secure better service with this particular class of stock.

A National livestock marketing organization is obligated to serve its members in the way in which they wish to be served, as nearly as practicable. Notwithstanding, the ideas that some stockmen and agencies have relative to the direct movement of livestock from the ranges to the feedlot, the fact remains that a considerable number of ranchmen wish to sell their stock at home and a considerable number of feeders want to buy their

stock direct from the range. It is not an easy task for the individuals, feeders, and ranchmen to make direct connections themselves and in most cases they can get together best through a third party. Therefore, at the request of some ranchmen and feeders, the National Livestock Producers Association engaged in pooling operations.

Certain difficulties or obstacles are met by the corn belt feeder who transacts business direct with a producer of lambs or cattle on the range. The first difficulty is that the two are not acquainted with each other. The sheep grower or cattle producer may not have an opportunity to get to the feeding sections to find an outlet for his lambs or cattle. The producer is reluctant to ship his stock to a feeder whom he has never seen or about whose reliability he is not informed. Likewise, the feeder wants to know what kind of stock he is to receive. Traveling is expensive, and the feeder finds usually that the grower wants to sell all of his stock or none; he wishes to make just one marketing transaction. Of course, if the feeder is a large operator he can take a large herd, but the small operator is not in a position to buy in quantity.

The first lamb pool was conducted in the fall of 1925 by the Producers Livestock Commission Association at

National Stock Yards, Illinois, and the Chicago Producers Commission Association. During that season approximately 68,000 lambs were purchased on the ranges in Wyoming and Montana and shipped direct to the feeders.<sup>1</sup>

The first cattle pool was established in the fall of 1925 by the Kansas City Producers, with the cooperation of the other terminal agencies. That year 3400 cattle were handled. In 1926 it was found necessary to enlarge the organization to take care of the increased orders, for both feeder lambs and cattle, so the pool was handled as a project of the National Livestock Producers Association.

The growth of the livestock pools prompted the establishment of a subsidiary of the National Livestock Producers Association, called the National Producers Feeder Pool. This is a cooperative organization, and it was incorporated in Illinois in March, 1927 with its principal office at Chicago. It has an authorized capital stock of \$50,000 which is divided into 20 shares of common stock without preference and 300 shares of non-voting preferred stock. Each share of common stock has a

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1. U.S.D.A. Technical Bulletin No. 57. C.G.Randell 85-88.

par value of \$1,000 and each share of preferred stock a par value of \$100.00. The following preferences and privileges are in effect. The preferred stock shall be entitled to an annual dividend of 6 per cent. The common stock of this association may be sold only to such cooperative livestock marketing associations as operate at the terminal markets, and such other district and national cooperative marketing associations and corporations as the board of directors of this association finds eligible. According to the by-laws, the purpose of this association is "to engage in any activity in connection with the marketing of livestock including purchasing, breeding, handling, shipping, and selling of livestock of all kinds, and to eliminate or reduce waste and speculation in the handling of livestock, and to protect and further generally the livestock interests of its members."<sup>1</sup>

In 1926, 145,032 lambs were pooled by the Association. Of these 125,104 were sold direct to 353 patrons in eleven states. Eleven thousand, nine hundred and sixty-four were shipped to Chicago and Denver markets where sold, and 7,964 were re-sold locally. The average weight of

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1. U.S.D.A. Technical Bulletin No. 57. C. G. Randell. 91.

these lambs was 61.9. The average cost of the pool was \$10.74 per cwt., and the average cost delivered to the patron, exclusive of shrink, was \$12.38 per cwt. In 1927 68,667 lambs were handled through the pool and shipped direct to feeders in eleven different states. The average weight of these lambs was 66.6 pounds.

In 1926, 11,200 head of cattle were pooled by the association. Of these, 201 cars, or 9,248 head were consigned on orders. And 1,952 head were shipped to market or re-sold on the range, in 1927. Fifteen thousand, four hundred and seventy-four head were shipped to feeders in nine different states.

In brief, the operation of the lamb pool is as follows: Stockmen who want one or more double decks of feeding lambs place their orders for lambs with the National Livestock Producers Association or with one of their member houses which are located at 13 leading livestock markets. The feeders indicate on the order the quality of the lambs they want, time of delivery, and the section of the west in which they prefer to have them purchased. They usually indicate the maximum price which they are willing to pay, but many of them leave the matter of price entirely to the judgment of the representatives of the pool.

The feeder signs a contract in which he agrees to pay \$1 per head to the organization as guarantee that he will accept the lambs. The organization then contracts with the sheep growers for delivery of the lambs. As the time of delivery approaches, the representatives of the lamb pool go to the ranges, receive the lambs according to contract, and ship them by the shortest possible route to the feeder. The feeder pays the freight and feeding charges en route, and pays insurance against loss in transit, which amounts to five cents a head. Each feeder pays the cost of his lambs and an additional 25 cents per hundredweight for the operating expenses of the pool, and also a commission of \$15 per double deck car of lambs. The commission is transmitted by the pool to the agencies that obtain the orders.

In handling the lamb pool a number of more or less difficult problems were encountered. One of these was the shortage of cars. The shipping season in most of the sheep sections is comparatively short, and the demand on the railroads is very great because growers and buyers want to ship at the same time. Another problem arose in the unavoidable delays in loading, because shippers occasionally met storms or blizzards when bringing sheep to loading points.

The operation of the cattle pool is in brief as follows: Contracts are made with a ranchman who is to deliver, at a specified time, a certain number of calves, yearlings, or steers two years old or older, of a given quality, at a fixed price. A certain percentage cut of the cattle is provided, depending upon the quality of the herd, together with a definite percentage of shrink at the weighing point. The feeder places his order usually with one of the terminal agencies. As a result of these orders the terminal cooperative associations are empowered to act as the feeders' agents in purchasing cattle of a given grade and in shipping them to the feeders at a specified time. Some purchasers state a maximum price, and others give the range in price within which they are willing to pay. As in the lamb pool, the feeder frequently leaves the price to the judgment of the association.

Purchase orders are filled as far as possible in rotation as they are received. The cattle are cut directly from the herds (calves with their mothers) at the round-up by the pool representatives. In case of long drives, the cattle to be shipped are often taken to a trap, which is usually a section of pasture land close to the loading pens. There they have an opportunity to rest the night before they are loaded. The following day they are driven to the loading pens. When cattle are handled in this way

they keep their vitality and they "load out" in better shape. This is especially true of calves because if they are cut off from their mothers and driven a long distance they may get cut as they are likely to run through wire fences and thorny brush. The cattle are further sorted for grade and weight at the pens to meet the requirements of corn belt feeders and they are carefully loaded out. They are billed to the feeder by the most direct route, and feed-in-transit privileges are obtained wherever possible.

In the first two years of operation only good to choice cattle were handled by the pool. Feeders and ranchmen are rather well agreed on what constitutes a good to choice animal and therefore, misunderstandings were for the most part avoided.

The Producers Livestock Credit Corporation is a cooperative loan agency organized by the Producers Livestock Commission Association of National Stock Yards, Illinois, and the Chicago Producers Commission Association, Chicago, Illinois, in April, 1924. It functions through the Federal Intermediate Credit Bank of St. Louis, Missouri and gives credit direct to the feeder of livestock. The above mentioned commission associations financed the credit operation. The control of this organization is vested in a board of five directors who are also members of the board of directors of the terminal associations.

The loan service is extended only on cattle and sheep for feeders. No loans are made on breeding stock or hogs. The maximum loan which may be secured is \$10,000. Cattle loans are made up to the full value, whereas on sheep and lambs the maximum is 75 per cent of the full value. The stocker and feeder buyers of the terminal sales agencies are appointed by the Federal Intermediate Credit Bank, as official inspectors of the stock upon which loans are made. No charge is made for inspection. The rate of interest is 6 per cent. Loans are made usually for a period of 9 months in the case of cattle, and 6 months in the case of sheep, with the privilege in most states of renewing the loan for three months. During the three years of operation, 1924 to 1927, the Credit Corporation made loans aggregating \$558,153, covering 24,872 head of livestock. Loans were made in ten states. Other activities of the National Association are listed below:

Developed and published the National Livestock Producer, the official publication of the association.

Advanced funds and underwritten loans to assist some of the agencies members.

Served as a clearing house for placing the market agency and fidelity bonds for the agency members.

Participated in national legislation affecting the livestock industry.

Participated in hearings before Interstate Commerce Commission and various railway committees.

Cooperated with the interested terminals in the establishment of a correlated field service for Illinois.

Has been active in establishing a favorable relationship between the Packers and Stockyards Administration and the agency members.

Maintained producer representation at the Chicago market during the thirty-day suspension of the Chicago agency for infractions of the rules and regulations of the Packers and Stockyards Administration.

Made possible the subscription of the Kansas City agency to the Market Practice Agreement, which resulted in elimination of the boycott prevailing on that market.

Has taken the initiative in attempting to correlate the activities of all livestock cooperatives.

Assisted in establishing cooperative selling agencies at many markets and conducted investigations at several others looking to that end.

Assisted the Peoria board in establishing the stocker and feeder company on that market.

Promoted boys' and girls' club work.

Popularized the slogan, "In the hands of a friend from beginning to end."<sup>1</sup>

#### SPECIAL METHODS OF SELLING LIVESTOCK BY LOCAL COOPERATIVE AGENCIES

Because of changing economic conditions in the various parts of the United States and Canada, some cooperative selling agencies have developed special methods of marketing livestock of their members. In Ohio the carcass or yield basis is used. In Iowa selling to reload stations or selling direct to Internal Packers has been very popular the last several years. In Kentucky, the Auctions Sales method has been employed. In California and other western coast states, a large number of cattle have been bought on the owners' farms and shipped direct to the slaughter house. In Canada Pooling Methods have been very successful. Each of these methods will be discussed separately.

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1. National Producers Association, January, 1928.

Concentration Yards and Direct Selling to  
Internal Packers in Iowa

To get a true picture of the Iowa situation the following figures will first be analyzed. Early in 1927 swine production in Iowa varied from 4 to 66 hogs per ten acres. There were 21 reload stations or concentration yards, and 13 internal packing plants buying hogs from Iowa territory. These buying agencies were located for the most part in the central and eastern part of Iowa. Of the 21 reload stations, 19 are located within the state, while two are just east of the Mississippi river at Savanna and Keithsburg, Illinois. Of the 13 packing plants buying Iowa hogs, 9 are located within the state. Two are located at Austin and Albert Lea, Minnesota. One at Sioux Falls, South Dakota, and one at Nebraska City, Nebraska.

Also, Iowa is the trade territory of some of the largest livestock terminal markets in the United States.<sup>1</sup>

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1. American Cooperation, 1927. Vol. 1. Chicago.  
B. B. Derrick.

Reload station buying.- A reload station in Iowa receives hogs in two ways - by truck, and by railroad. Those shipped by railroad are, for the most part, billed direct to their final destination with the feed-in-transit privilege, which includes the privilege of sale-in-transit. For example, a shipper from Carroll, Iowa bills hogs over the Chicago, Northwestern Railroad to T. M. Sinclair and Company at Cedar Rapids, Iowa with feed and sale-in-transit privilege at Boone, Iowa, and the hogs are offered for sale at that point. If no satisfactory sale is consumated, the hogs are rebilled to a destination designated by the owner.

Ownership of reload stations.- Three of the reload stations are packer owned, five are privately owned, and thirteen are owned by the railroads. Sixteen stations are operated by packers. Absolute control of the yards is exercised by nine operators, four lease the yards for an annual rental and eight have the privilege of using the yards with other persons.

The equipment of the reload stations is lacking in uniformity. All have corncrubs, offices, and scale houses, while the number of pens ranges from 12 to 50, with the average around 20 to 25. The capacity of the yards varies from 10 to 200 single deck cars.

Two of the reload stations studied were built late in 1926 and shipped only a few hogs prior to January 1, 1927. Four stations shipped less than 300 single deck cars of hogs in 1926; five consigned from 500 to 800 single decks; four from 900 to 1000 single decks; and five from 1800 to 3000 single deck cars of hogs. The buying of eleven stations is quite seasonal, while ten stations are continuous buyers.

The buying territory of a reload station is irregular in extent. The small stations confine their buying to a radius of 50 to 75 miles, while some of the larger stations extend their buying across the state.

The reload stations have from 10 to 200 shippers, consisting of independent buyers, cooperative shipping associations, and individual farmers. Two stations report that their shippers consign all livestock to them, while 19 others say they receive the shippers' hogs only when they are the highest bidders.

Methods of buying.- Only four stations are sending out a daily price card, five others send out price cards at irregular intervals, and 12 send no price cards at all. In no case does the price card represent a bid, but merely a summary of yesterday's market. In practically all cases, the price is actually quoted and the buying done by

telephone. There is a growing satisfaction with the daily market quotations by radio from the Ames Agricultural Extension Service. The reload station, the packer, and the farmer may all receive and use these daily reports.

All the stations except one pay uniform prices on uniform grades to all buyers on a basis of arrival at the plant. The one exception pays more to the larger feeders. Buyers are protected for the duration of the price quoted, which for 19 stations is for the day only, while two stations quote a three-day price.

At four stations the shrink that has taken place prior to the weighing of the hogs is estimated and taken care of by an increase in the price; at four other stations hogs are weighed off cars; and at the remaining thirteen stations, the hogs are fed and watered before weighing.

In all except five cases the shipper pays either local or proportional freight on his hogs to the railroad station. In the excepted case the packer absorbs the freight.

Truck hogs delivered at Savanna and Keithsburg carry a  $69\frac{1}{2}$  cent local freight rate to eastern points instead of a 60 cent proportional rate on train hogs. Consequently these truck hogs are bought ten cents cheaper than other hogs, and the same is said to be true of any station not

avored by a proportional rate. At points just west of the Mississippi river the local truck hogs are used in bringing light cars up to a maximum weight, and in loading to take care of shrink en route east. In no case are truck hogs fed and watered, but receive a price 10 to 25 cents under train hogs. This cut in price is to take care of excessive fills.

From 60 to 75 cooperative shipping associations patronize each of the reload stations.

The cooperative, the independent shipper, and the individual farmer at the same station shipping car lots receive the same price quotation. This condition is brought about by the keen competitive buying methods of the reload station and the packer buyers, plus the constant solicitation of the commission men on the terminal markets. In each section of the state prices are quoted on the basis of one or more of the nearest terminal markets, plus local competition, and therefore the shippers are bid just high enough to keep the hogs coming. Three stations handle only good quality hogs. All other stations buy all grades and weights, but at certain seasons bid low on grades not wanted. At eight of the stations there is no arbitration on grades or dockage, while at thirteen stations an attempt is made to satisfy the shipper. The station weight differ-

entials vary from 3 to 11 in number. There is, therefore, little uniformity of grade and weights between stations at any particular time and both grades and weights change frequently for different seasons of the year.

Handling the hogs at the reload station.- Hogs are unloaded on arrival at the station. Fifteen stations feed from four to five bushels of shelled corn per single deck. Others feed from one to four bushels depending on the time en route and the condition of the hogs on arrival, while four stations weigh hogs off cars with no feed or water. After the hogs are filled they are weighed and reloaded. The outgoing sort is made to suit the purchaser.

Eight reload stations ship to packers in the east, three have packer outlets in Kansas City, two in Chicago, and one in Milwaukee, and eight within the Iowa territory. Eleven of these stations shipped hogs to more than one packer.

The reload stations employ from one to nine men to handle the yard work. In each case there is a manager, who is the head buyer. At ten of the stations an assistant buyer is employed, who is usually in charge of buying and handling truck hogs. Only two stations have managers with less than ten years buying experience, while managers of twelve stations have 10 to 35 years experience, and two managers have had 45 years active experience in hog buying.

All of the head buyers have been at some time, buyers for packers on some terminal market, while several have bought hogs on two or more terminal markets. The yard men for the most part have had several years experience in sorting, feeding, and otherwise handling hogs.<sup>1</sup>

#### Carcass or Yield Basis

The Eastern States Company was organized in 1923 by the Ohio Livestock Cooperative Association, affiliated with the Ohio Farm Bureau Federation and the Buffalo, Cleveland, and Pittsburgh Producers Cooperative Commission Associations to supplement county and local livestock cooperatives and the terminal marketing associations on eastern markets. The stock is owned at present by the Ohio Livestock Cooperative Association, the Producers Associations at Buffalo, Cleveland, and Pittsburgh, the Michigan Livestock Exchange, and the Indiana Farm Bureau Federation.

The purpose of the Eastern States Company is to provide an organization for the use of members of the cooperative livestock associations who wish to market their

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1. American Cooperation, 1927. Vol. 1. Chicago.  
B. B. Derrick.

factory and a local association can fill the order, the manager of the Eastern States Company gives billing instructions and the hogs are graded, loaded, and shipped direct to the packer. The company draws a draft on the packer to whom the shipment is consigned. The company also sends a check to the association that supplies the hogs, for 90 per cent of their value. This money, which is received by the local manager, is turned over to the shippers upon request. The packer receives the hogs and checks the cars at his plant, keeping each shipment separate so that the yield or dressing percentage can be figured.

If the contract which the Eastern States Company has with a packer calls for a guaranteed dressing percentage of 79 and the hogs dress 81 per cent, the packer when paying the association multiplies the agreed price by  $81/79$ . For example, if the double deck car of hogs weighs 25,000 pounds, and the agreed price is \$12 per hundred, and the hogs dress 81 per cent, the amount the association receives is \$3,075.95, compared with the \$3,000 it would have received had the hogs dressed 79 per cent. In a similar way if the hogs dress only 77 percent, the price is multiplied by  $77/79$ . The packer usually makes returns to the Eastern States Company a week or ten days after the

hogs are received, when the dressing percentage has been ascertained. The company receives its revenue from a service charge which the packer pays and from a flexible marginal charge which the company makes to the local association.

The Eastern States Company guarantees full and complete settlement on each sale of hogs according to the prices specified. It is rapidly getting on a contract basis with the various local associations which it serves.

In addition to this sales service, the Eastern States Company handles purchases to stockers and feeders for the Cooperative Livestock Commission agencies at the Buffalo, Cleveland, and Pittsburgh markets. Purchases are also made for individual producers and for members of general farm organizations.

The table following gives the volume of business handled by the Eastern States Company for the four years, 1924-1927.<sup>1</sup>

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1. U.S.D.A. Technical Bulletin No. 57. C.G.Randell. 95.  
American Cooperation. 1927. 1:652. Mr. Ketner.

Year	Number of hogs handled	Gross Value
1924	36,272	\$684,938.00
1925	66,794	1,812,219.00
1926	99,598	2,878,633.00
1927 (5 months)	50,000	. . .

### Auction Sales

In central Kentucky a rather unique form of local livestock marketing has developed during the last four years, namely, the concentration and sale of livestock by auction. During the summer of 1926 there were 15 auction sales organizations located in 12 different towns, which held a sale of livestock one day each week and the total sales of these organizations amounted to several million dollars. A large share of the market livestock sold in this region now passes through the sales and buyers that formerly bought direct from farmers now buy most of their livestock by bidding at the auctions.

The auction sales organizations operate stock yards at the shipping point and the producer delivers the livestock which he wants to sell at the yards the morning of the sale day. The livestock is weighed and the hogs, calves, and lambs graded and mingled in lots of uniform grade, cattle being sold separately for each consignor.

The auction sale is held during the afternoon and bidding is active. All types of buyers previously mentioned compete at the sale with order buyers, the most important buyers of lambs and hogs.

Auction sales organizations get their income by charging a commission fee per head for the livestock sold. This fee is deducted from the sale price and the balance paid to the producer. These fees are fairly uniform among organizations, the customary rates being 20 cents for sheep, lambs, and hogs and 50 cents for cattle and calves.

Grading livestock before selling has been an important factor in the success of the sales. The high grade spring lambs have attracted order buyers representing packers, who are in a position to pay premium prices not only for the lambs but also for high grade hogs and calves. Prices at sales have been within a narrow margin of the Cincinnati market and producers generally have been satisfied with the prices obtained. It is likely that the auction sales organizations will continue in the future to function as private concentration yards where livestock will be assembled and part of it sold for direct shipment to packers.<sup>1</sup>

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1. Kentucky Agricultural Experiment Station Bulletin No. 278. 57-58.

## Direct Marketing of Cattle

Direct marketing of cattle as practised by the Western Cattle Marketing Association. The plan for cooperative marketing of beef cattle as developed is suited particularly to the western states where certain conditions exist. The total production of cattle in California is equal only to about 73 per cent of the total slaughter in the state, and it is regularly and normally necessary to call upon adjoining states for the remainder of the supply. This is particularly true during the late winter and early spring months. The total output of fat cattle in Arizona, California, Southern Idaho, Nevada, Utah, Southwestern New Mexico, and Southern Oregon, is approximately equal to the total slaughter in that area. The states named therefore, form a logical territory to be included in the cooperative marketing plan. (At the present time all states excepting Idaho and Utah are being served by the Association, and expansion can be made when desired).

The problem in the Pacific Southwest has always been one of organization in order that the supply of cattle may be furnished to meet the demand in an orderly way and thus stabilize the market. Unorderly marketing in the past has been the chief difficulty and while there is no overpro-

duction, there has been constantly the impression that an oversupply existed because in the past marketing was exceedingly unorderly.

The Western Cattle Marketing Association, formerly known as the California Cattlemen's Association, is a cooperative marketing agency. It is a nonstock, nonprofit, cooperative incorporated in 1923 under the laws of the state of California. Its operations and activities are controlled by a board of directors composed of thirty active members, duly elected by the membership and serving without pay. The membership at the present time consists of approximately twenty-five hundred cattlemen in the states of California, Arizona, Nevada, New Mexico, and Oregon.

The purpose for which the cooperative has been formed include the orderly marketing of beef cattle to prevent price fluctuations and to place the cattle industry in the Pacific Southwest on a firm financial basis; to sell cattle on the ranch direct to packers and thus eliminate unnecessary handling and costs; to sell cattle on grade at a price determined before the cattle leave the ranch; to maintain coast price levels on a parity with price levels in the middle west; to give cattle producers a voice in the marketing of their cattle; to disseminate among the members

accurate information on markets, price trends, cattle supplies, and other matters directly affecting their industry. In brief the purposes of this cooperative are to place the producer of beef cattle in a position where he is as well informed as those who buy his cattle and to make his business a stable and profitable one. Each member has an equal vote in matters pertaining to his association and the desires of the members are carried out through the board of directors selected by them.

How the plan operates.- The association has two main offices, one in San Francisco and one in Los Angeles. In addition to these "headquarters" offices, field offices are maintained in districts into which the various states served are divided. In all, these are approximately twenty districts in which field agents render service to members during their marketing season.

The San Francisco office of the association is the directing headquarters for all operations and from this office the activities of field agents, sales offices, and in fact all procedures are directed. The Los Angeles office is primarily a sales office maintained to serve better the packing industry and the members in southern California.

The field agents are in charge of field districts and their duties are manifold. Each field agent is directly responsible for information in the territory he serves. He is required to know the cattle situation at all times, have complete and accurate information on cattle movements and feed conditions. He must be constantly aware of all things affecting members and cattle in his district. He must know cattle markets. Field agents are employed for the benefit and help of the members. It is their duty to make the best possible sales for members.

In addition to these things the field agent is charged with the grading of members cattle. He must see that the price paid and grading are correct. He also supervises the loading of cattle on cars. The member goes through the following procedure in making sales through the association:

1. He notifies the field agent or the head office, that he will have approximately so many cattle of a certain kind, ready for market at a stated time.

2. The field agent goes to the ranch, inspects the cattle, classes them and determines their value. He notifies the head office.

3. The head office then sends a buyer to the field agent or to the producer (the field agent being present) to close a sale. (Shipments are often made to packers sight

unseen, the packers relying on the judgment of field agents in securing the quality, weight, etc. of cattle desired).

4. The cattle are weighed, and the buyer makes payment for the cattle to the association.

5. The association collects the funds, deducts the selling charge, and remits to the producer, with a detailed account sales. (This procedure requires on the average of from 24 to 48 hours, and in cases where more rapid returns are desired, remittances may be telegraphed).

In addition to handling fat cattle as above described, the association maintains a feeder and stock cattle department which conducts a service for bringing feeder or stock cattle buyers and sellers together. If a producer wants to buy feeder cattle he advises the feeder department of what is desired. The department then locates a grower who has the desired kind of cattle for sale, and advises the first party. There is no cost to the buyer for this service, and the seller is required to pay the association only fifty cents per head.<sup>1</sup>

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1. Western Cattle Marketing Association circular, August, 1927.

American Cooperation. 1927. Roy Hagen. Chicago. 1:595-597.

## Cooperative Cattle Selling in Canada

Since February, 1923 a system of cooperative marketing of cattle has been in operation in western Canada which in some respects differs from the methods practiced by cooperative organizations in this country. The cattle are handled, on a pool basis, by the livestock department of the United Grain Growers, Limited, which operates at the three primary markets of Winnipeg, Manitoba, and Edmonton and Calgary, Alberta.

Cattle entering the pool are shipped to the stockyards in the usual manner, mostly by cooperative shipping associations, although many individual producers are taking advantage of the system. After unloading and counting, the animals are placed in pens and assigned to the company for feeding, watering and rest. The next step is the appraisal. By carloads, the cattle are driven into small pens near the scales where they are sorted as to sex and ownership. The appraiser of the company then examines them one at the time or by two's and three's, and puts his valuation on them, which is the current quotation for their class on the local market. The price is announced aloud, for anybody to hear. Thereupon the cattle are weighed, and a scale ticket is made out, showing ownership, weight, etc.

and price at which appraised. This ticket is sent to the office of the company and a check representing the full local market value is at once issued to the owner. From this point on the cattle are treated as the property of the pool, which handles them entirely on its own account.

After the cattle have left the scales, they are subjected to a second and rigid sorting. Twenty-seven pens are provided for as many classes. Dehorned cattle are separated, animals showing pronounced Hereford, Shorthorn, or Angus breeding are placed together, and stockers and feeders are carefully picked out.

Now the man in charge of sales gets in his work. Only about 25 per cent of the cattle coming to the yards of western Canada are disposed of locally, the rest are moved out, going south or east. Some of them are sold to representatives at the yards of outside packing houses; others go to such packers on the direct orders; many are taken by farmers throughout the Dominion for further feeding; while a large proportion are consigned to markets in eastern Canada and the United States, or are exported overseas. Whatever outlet at the time promises the most advantageous terms for a certain class, there the pool cattle go. It is the duty of the sales manager to keep informed on all these matters, as the success of the enter-

prise very largely depends upon his knowledge of conditions and local preferences at outside points. For this purpose he is constantly in touch by wire with representatives at the principal markets, east or south.

For its services to the producer of livestock, the company receives the ordinary commission rates in force at the markets where it operates. Besides, from the valuation placed on each owners' shipment, is deducted his share of transportation charges, yardage, fees, cost of hay, and similar items, all in the regular way. In the nature of things, none but experts could satisfactorily perform such duties as the appraisal and sale of the cattle, and the company employs the best men it has been able to secure, paying salaries accordingly. But no profit is calculated on its transactions. Whatever surplus has accrued at the end of the year, over and above cost of operation, is prorated back to the shippers as patronage dividends. This applies both to commission fees and to amounts earned in excess of the original valuation.

On this subject of cooperative cattle selling, a pamphlet issued by the United Grain Growers explaining the details of the scheme says:

"(a) Through the centralized control of the pool over a large number of cattle, they are intelligently distributed to the markets which require them and will pay

most. This brings a greater total return for western cattle, and buyers for other markets have to pay up to the full value of cattle, instead of getting them at dumped prices.

"(b) The pool is always ready to move cattle on to other markets if prices offered by local buyers on primary markets are not fully up to the comparative level of eastern and southern markets.

"(c) The pool takes many cattle out of western markets without offering them for local sale at all. Without the pool, they would be exposed for local bids, tending to lower local prices.

"(d) Buyers pay more for cattle because of getting them in sorted loads, instead of having to pick them up in small lots."

It goes without saying that this plan of cooperative cattle selling has been fought tooth and nail by the interests whose preempted territory it has invaded and which in part it is replacing. The arguments all have a familiar ring to those who have followed the development of similar organizations in the United States. However, there as here, "by their fruits ye shall know them." Results so far seem to point to unqualified success, as proved by the rapid growth of the movement and the fact that extension of the system to hogs is being considered.

The membership in these three pools was 2300 in January, 1927. In June, 1927 3700, and in February, 1928 over 7000. The estimated yearly marketing was as follows: January, 1927 - 1,000 cars; June, 1927 - 1,600 cars; February, 1928 - 2,800 cars. The livestock pool has now over 60 local shipping associations in active operation. These are shipping to the sales offices at Moose Jaw, Prince Albert and the Central Livestock Cooperative at St. Boniface.

The Alberta Livestock Pool is operating on the Calgary and Edmonton markets in an increasing scale. The aim is that the pools of the three provinces will be handling over 50 per cent of the livestock of the three provinces before the year 1928 is out.<sup>1</sup>

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1. Report from National Association Office, January, 1928.

The Producer, February, 1925. 6:9:35.

## FEDERAL REGULATION OF STOCKYARDS AND SALES AGENCIES

The remarkable growth and extent of livestock production developed certain agencies which came to be recognized as essential to marketing and processing operations.

The livestock markets, or public stockyards, have become the central points through which a large part of the livestock produced in the United States passes on its journey from the farms and ranches to the consumers of meat and other animal products.

In sending his livestock to these central markets to be sold, the shipper usually consigns it to a commission man, or cooperative agency, who make it their business to represent the shipper in caring for and selling the livestock. The buying side of the stockyard markets consists of packer buyers, order buyers, and dealers.

For some years before the passage of the Packers and Stockyards act, there was a more or less general feeling among livestock purchasers that conditions in the livestock markets were such that general supervisory authority over the many phases of this important business should be exercised by the Federal Government. Specific defects were known to exist and there was much controversy concern-

ing the facts as to the operation of the market machinery by which the value of livestock was established. Leaders in the industry came to realize the need for intelligent and impartial supervision.

In August, 1921 after extensive hearings, Congress passed a law known as the Packers and Stockyards act, which vest in the Secretary of Agriculture certain regulatory authority over the packers, stockyard owners, market agencies, and dealers. This authority extends to the business of packers done in interstate commerce, whether carried on at a public stockyard or elsewhere. Such packers are prohibited from engaging in unfair, unjustly discriminatory, or deceptive practices, or from doing anything to restrain competition, or from establishing a monopoly.

On June 30, 1927 seventy-seven stockyards were within the provisions of the act. A stockyard is defined as a place commonly known as a stockyard, and conducted for compensation or profit as a public market, consisting of pens and inclosures for holding, selling, or shipment of livestock in interstate commerce, containing an area of 20,000 square feet or more. When the Secretary finds that a stockyard meets all these requirements it is posted as a public market, and due notice is given to the public, and

to the stockyard owner. Ordinarily, facilities furnished by a stockyard owner are holding, feeding, weighing, or otherwise handling livestock in commerce.

There were located at posted public stockyards on June 30, 1926 approximately 1,265 market agencies, whose services consist in the buying and selling of livestock on a commission basis, or furnishing other stockyard services. In addition there were approximately 4,455 dealers engaged in the business of buying or selling livestock, either on their own account or as the employees or agents of others. The market agencies, and dealers are required to register with the Secretary, showing the place and character of the business conducted.

The law provides that the regulations and practices of stockyard owners, market agencies, and dealers must be just, reasonable, and nondiscriminatory. It prohibits any practice which is unfair, unjustly discriminatory, or deceptive. Stockyard owners and market agencies are required to furnish reasonable service upon request. Schedules of rates and charges for these services must be filed with the Secretary, and kept open to the public. Changes in these schedules can be made only after proper notice to the Secretary and to the public. The rates and charges for services must be just, reasonable, and nondiscriminatory.

Prior to November, 1924 a regulation of the Secretary provided for a bond to be furnished by market agencies covering the proceeds of sale of livestock. Under an amendment to the Packers and Stockyards act, effective July 1, 1924 a new regulation was issued effective November 1, 1924 which provided that all market agencies and dealers should furnish bond covering their obligation. Under this regulation it was necessary to have new bonds, filed or to require revision of old bonds.

The Secretary may hear complaints, as well as make inquiries of his own, with reference to rates or practices of any of the agencies subject to the terms of the act. He can determine and prescribe reasonable rates and practices as well as prohibit the use of practices found by him to be in violation of the act, or rates which have been found by him to be unreasonable or discriminatory.

The Secretary can require special and annual reports from packers, stockyards, commission men, and dealers. Authority is given to investigate their books, records, and accounts, and to prescribe the manner in which such records should be kept, if it is found that they do not properly disclose all transactions involved in their business.

Certain rules and regulations have been promulgated by the Secretary. These rules generally cover the proper

weighing, feeding, and handling of livestock and the rendering of true and correct accounts to the shippers.

For the purpose of administering this law, the Secretary has created an organization known as the Packers and Stockyards Administration. This is in charge of a chief administrative officer who acts for the Secretary. A staff of administrative and technical assistants is located in Washington and in the field. Twenty offices are located at the more important public stockyards. Supervisors, experienced in marketing, supervise operations at these points, as well as at other small stockyards assigned to them. These men make numerous special reports of their activities. Through them, it is possible to maintain a close contact with the persons and agencies whose business operations are affected by the act, and to adjust minor troubles quickly and informally.

The supervisors attend to complaints by shippers and others concerning service, such as cleanliness of pens, adequate water supply, prompt unloading and delivery, price and delivery of feed, physical condition of pens and alleys, and prompt delivery to and removal of livestock from scales. Practices of the trade, involving such things as the sale, price, or weight of livestock, complaints by and between market agencies, dealers and stockyard com-

panies, sale and disposition of crippled livestock and dead animals, operations of packer buyers and traders, likewise receive close attention.

Specifically, supervisors have brought about improvement in facilities for receiving livestock, especially by motor truck, and removed unfair price discrimination between truck and rail livestock. The quality and weight of feed at a number of markets have been improved and delays in weighing livestock overcome.

Other specific investigations have been made into the practice of direct buying by packers and the competitive relation of markets to learn whether any manipulation of supply exists for the purpose of controlling prices.

The Administration is attempting to see that accurate weights are obtained for livestock. The purpose is to have suitable scales properly tested and maintained, and operated intelligently to insure accuracy. This work is in charge of two weight supervisors skilled in scale mechanics. They work in cooperation with stockyard companies and with city, state, and commercial scale-testing agencies.

Audits of books and accounts of stockyard companies, market agencies, and dealers are made with a full report to the Washington office. The auditor procures and fur-

nishes information necessary to a complete understanding of the finances and practices of the business. When the audit of a market agency is made, if its financial condition is unsatisfactory, action is taken to safeguard the interest of the shippers and patrons of the market. This may involve the funds of the market agency, or both. Many commission firms with strong finances have adopted this plan of carrying the shippers' proceeds in a separate account.

The administration aims to carry out the spirit as well as the letter of the act fairly and impartially and to safeguard livestock marketing fully. It is felt that these efforts are building up a greater confidence in the central markets as a safe and satisfactory place in which to buy and sell livestock.<sup>1</sup>

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1. U.S.D.A. Yearbook, 1926. John T. Caine III. 563-565.

## DISCUSSION

In this study of the various methods employed by cooperative associations in selling livestock, there are some outstanding factors that present themselves.

"First of all, local cooperative organizations should learn that efficient cooperation does not stop at the point of production but carries the cooperative principle and actual marketing as near to the point of consumption as possible. It should be shown that cooperatives which do not carry the principle thru to the terminal markets are competing with each other and are falling one step short of realizing the fullest possibilities of the movement."<sup>1</sup>

The importance of shipping associations can hardly be overestimated in considering the progress and possibilities of the terminal cooperative commission agencies. The fact that 65 per cent of all the business of the terminal cooperative agencies comes from local shipping associations is reason enough for spending much time and effort on this phase of the business. Some of the most successful terminal

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1. Annual Meeting, Chicago Producers Association, 1927.  
H. P. Rusk.

agencies receive as much as 85 to 95 per cent of their business from locals.

"The terminal agency is in a position to render direct service to the local association. This can be done best by field men especially qualified for the work. First, however, the ground must be prepared so that service can be rendered. The manager of the local association must be convinced of the service the terminal association can give. If the manager is not altogether in sympathy with the cooperative program, the directors of the association may be of assistance in convincing him of its benefits. A few of the specific things which the field man can do to assist the manager of the local association are as follows:<sup>1</sup>

(1) Help the manager with his bookkeeping problems.

(2) Demonstrate to him better handling methods which will reduce shrinkage.

(3) Show the manager how to properly mark the livestock and, where volume permits, grade it to meet market requirements.

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1. American Institute of Cooperation, C. G. Randell. Chicago, Illinois. June 27, 1927.

(4) Assist the manager with his membership problems by impressing upon the members that they should give the shipping association and their business. Nonmembers should be encouraged to ship through the association and try its service."

The Illinois Field Service Plan.- There are between five and six hundred shipping associations in Illinois, 95 organized Farm Bureaus, approximately 60,000 Farm Bureau members and four terminal cooperative livestock selling agencies operating in Illinois territory.

The purpose of the Illinois field service plan is to concentrate all these organizations and individuals upon one program with one aim.

The work was begun last August by calling a series of conferences over the state at which the proposition was presented to the Farm Bureau representatives. The necessity of making the distribution of the farmers' livestock products a matter of as much study as has been the production of the livestock was urged upon these Farm Bureau representatives. To meet this necessity it was suggested that the matter of livestock marketing be made a major project and given a place on their programs of equal importance to any other project. As a result of this state-wide campaign

77 counties have made livestock marketing a major project and placed it on their program to receive careful consideration.

After this preliminary work, livestock marketing committees have been or will be appointed in all counties and programs made to meet the particular conditions existing in these counties. In the counties which have thus far adopted programs there are certain obstacles which stand out very definitely as main difficulties to be overcome throughout the state. Perhaps the most important of these is indifference of the individual farmer as to the importance of the livestock marketing problem, also as to his own responsibility in this connection. Lack of information constitutes a big problem both as to marketing practices and market grades. The improper conception of the livestock shipping association on the part of individual farmers and directors and managers of the association is another problem. The impression prevails in many quarters that the shipping association is the ultimate end to be accomplished in cooperative marketing, whereas it is only the foundation upon which an effective system may be laid. Lack of support from the carlot shippers, trucking and direct shipping are among the other problems which are being met in the different counties by the programs outlined.

The program has not been in operation long enough to determine just what the results are going to be but it might be said that a good start has been made and that the response in the counties adopting the livestock marketing project indicates that some real worth while results will be gotten."<sup>1</sup>

"Secondly, it should be made clear that it is not how cheaply but how well cooperative marketing organizations function that will determine the ultimate success of this project. The reduction of marketing costs is a worthy ambition and should be encouraged, but it is a mistake to lead the producers to believe that this is the most important benefit to be derived from cooperative marketing. It is not the cost of an article or service that determines whether it is a good investment, but the returns which it will yield above cost.

"The people in the country should know also that the influence of cooperative commission firms on many of the large terminal markets has helped to improve practices and procedure. I am convinced that the general tone of livestock markets has been materially improved since the cooperatives entered the field.

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1. Annual Meeting, Chicago Producers Association, 1927.  
H. P. Rusk.

"Thirdly, that effectiveness of terminal cooperative agencies depends to a very large degree upon the percentage of the business which they control. Care should be exercised to avoid overselling the possibilities of cooperative marketing on this point. Hopes are often raised too high and the members are led to expect the impossible with the result that disappointment, dissatisfaction, and loss of support follow. Cooperative marketing cannot reasonably be expected to replace all middle-men or to fix prices - two goals which seem to be uppermost in the minds of some people. It must be recognized that some of these middle-men render a real service in our program of distribution. It is true that the function of some of these middle-men may be taken over by the cooperative organizations and the necessary service performed at a reduced cost. But the fundamental principle to remember is that service costs money regardless of whether it is rendered by a so-called middle-man or by a cooperative association.

"So far as prices are concerned there appears to be little likelihood of the livestock industry ever becoming solidly enough organized to get a monopoly control of prices and it is worse than useless to encourage producers to think that this is one of the objects of the organization. However, it is not too much to expect that cooperative

marketing may gain sufficient control to stabilize prices materially and to exert an influence toward higher prices. In this connection the importance of volume of business cannot be overemphasized.

"Lastly, many people in this country have not yet learned what the Danish farmer learned long ago and what the membership of every cooperative must learn if it is to attain the fullest possible success, that cooperation means the joint labor of all members for the mutual benefit of the whole membership, and not as some people seem to think, a convenient arrangement for relieving the individual of all personal responsibility and saddling it upon the management of the association."<sup>1</sup>

Problems of a Terminal Cooperative.- Every terminal cooperative has numerous problems. Some of these have already been discussed. Some of the other most important problems are as follows.

More attention should be given to the careful training of employees of various departments of the business. The employees should not only master their own jobs, but should learn more about the general operation of the agency. For

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1. Annual Meeting, Chicago Producers Association, 1927.  
H. P. Rusk.

example, yardmen who know something of the problems of the account sales work will be more careful to see that the shipment checks out for ownership and total number of animals and that prices are marked plainly on the scale tickets so that errors in making up the account sales may be avoided.

In the selling of stock on the market, salesmen should seek to increase their knowledge concerning the factors which affect prices, and yardmen should strive to learn or devise better ways of handling stock so as to reduce shrink.

Salesmen and order buyers can work out a follow-up system and keep a closer check upon shippers and purchasers. In the office, records can be further systematized and improved and modern, standardized equipment should be used. In the field work, better ways can be devised to render service to individual shippers and shipping associations.

#### Cooperation with the U. S. Department of Agriculture.-

The advantages of practicable, workable, uniform standards which can be applied by all livestock agencies on all markets are too apparent to require extended argument. One of the chief functions of a terminal selling agency is to keep the producer advised regarding conditions prevailing at the market. It is almost impossible to do that satis-

factorily without uniform grade standards. As a rule, shippers who patronize a given market become more or less familiar with the standards prevailing on that market.

The fact that different markets have different standards leads to confusion among livestock shippers. Under a system of universal official grade standards no such confusion should arise. Every market and every market agency would use the same standards and a given term or group name would convey the same meaning regardless of the individual or agency using it.

Cooperative agencies should make a serious effort to keep in the closest possible touch with the work of the Department of Agriculture along this line with a view to having salesmen and in fact every one in a responsible position become familiar with the official grade standards. Every effort should be made to assist the Department in educating stockmen in general throughout the country to a complete understanding, full appreciation and general adoption of these standards.

#### Establishment of a National Service Organization.-

There is real need for a national service organization in the development of a cooperative livestock marketing program. This organization should include as members all of the efficient cooperative commission associations. Such an

association would serve to coordinate and strengthen the cooperative movement in livestock marketing and would eliminate the elements of competition among the various cooperative groups. Federation of the marketing associations for a given commodity on a national scale has been carried out successfully in Canada and in some other countries and it is felt by these cooperating groups that the plan has important advantages.

Control of the national organization would be in the hands of representatives from the boards of directors of the terminal commission associations. This would make a large directorate; however, most of the business could be transacted by an executive committee.

This association should have an official organ which would give information to livestock producers over the country and discuss their marketing problems. The work of the national organization might be along the following lines:

- (1) To unify and help to put into execution a forward-looking program for cooperative livestock marketing agencies. The research work of the national organization should be especially important and might include such projects as: Collecting and disseminating the best available information on receipts and prices of livestock; stabili-

zation of receipts on the central markets, which would tend to eliminate the severe drops in prices that cause heavy losses to shippers; and making inquiry into specific problems of current interest to the livestock industry. The results of these special studies should be made available to members of the associations, either in pamphlet form or through the columns of the official organ.

(2) To consolidate, wherever possible, two or more cooperative agencies competing for business on a given market. Effecting a merger of these associations should result in more efficient and more economical organization of the business and a further standardization of operations.

(3) When, after study of existing conditions, it was found inadvisable to merge the cooperative agencies on a given market, the national association might assist the agencies in planning and carrying out a common program through which they could work together in a community of interest relationship. A coordinated selling program could be adopted, the associations working together in handling and selling their livestock. Most of the duplication in field work and in advertising and publicity could be eliminated by unification of these programs.

(4) Attention should be given to the handling of specific projects such as the direct movement of stock

from range to feedlot, whenever this service is desired by farmers, and any other activities that could be more efficiently handled by the national than by the terminal associations individually for their members.

(5) The national office should be prepared to assist stockmen through the agencies in meeting emergencies such as, for example, the movement of large numbers of livestock from a drought area to new pastures, to feedlots, or to market. Such a project could be handled most efficiently when organized by a central agency working through the terminal commission associations.

Financial support for the national organization could be provided by means of a nominal fee per car paid on the basis of the business handled by each agency. In view of the large volume of business handled by the cooperative agencies, the amount paid per car would be comparatively small. One large overhead marketing organization is operating on a basis of 50 cents per car of livestock sold.

Several large overhead marketing organizations, already in existence, have been of substantial service to their member associations. They have, in fact, served to demonstrate the advantages in efficiency and economy to be had through a central organization. These groups should

be the first, therefore, to sponsor the next step forward in the advance of cooperation in the livestock industry - a national cooperative livestock marketing association.

No Resting on Laurels.- Some of the cooperative associations have attained to such a size that their influence is beginning to be felt in the territories where they are operating. They have achieved reputations for giving excellent service. Now they must guard their established reputations and strive to enhance them. The expansion period of a business always carries with it an element of danger. It is well to remember that it is easier to achieve than it is to perpetuate and maintain. The management should remember that in order to keep an organization going forward it must be constantly building.

In thinking about the future of the terminal cooperatives, it is well to remember that today's successful enterprises are those that yesterday extended their thinking beyond the needs of the moment. Tomorrow's successful cooperatives are those that today look beyond the mechanical details of business to the greater day of cooperation to come.<sup>1</sup>

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