

LIVESTOCK AUCTIONS in MINNESOTA

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Livestock Auctions in Minnesota¹

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RAPID EXPANSION in the number of auction markets for the sale of commercial livestock has taken place since 1932. About 1,300 community livestock auctions were operating in the United States in 1937. Nearly two thirds of these were located in the 12 north central states, with the greatest concentration in Iowa where 195 were in operation at the close of 1936.² Although the increase in numbers has not been as pronounced in Minnesota as in many of the other Corn Belt states, the movement has developed to a point where livestock auctions have become important marketing agencies in many communities. Forty-five livestock auctions were operating in Minnesota at the close of 1940.

Objectives of the Study

The objectives of this study are: First, to ascertain the development of auction markets for the sale of commercial livestock in Minnesota; second, to determine the volume, character, and seasonality of the business handled by them; third, to inquire into their organization and method of operation; fourth, to ascertain the kind of services rendered by them and the charges made for these services; and, fifth, to determine the extent to which livestock auctions serve as effective marketing agencies.

Source and Character of the Data

Information regarding the number, location, and date of organization of livestock auctions in Minnesota was

obtained from the files of the State Livestock Sanitary Board, supplemented by field investigations by representatives of the Division of Agricultural Economics. Data on the number, location, and date of closing of auctions that discontinued operations were obtained from the same sources. All auctions for which permits had been issued by the State Livestock Sanitary Board for the intended purpose of conducting continuing sales were included provided one or more sales were held before operations were discontinued.

The data on volume, character, and seasonality of business were obtained from the reports of 42 auction managers filed with the State Livestock Sanitary Board. Most of these reports included the post office addresses of the consignors and buyers of all lots of livestock sold through these markets. After examining these reports, it was decided to limit this part of the study to a period of 12 consecutive months. Complete data were available for 17 auctions for the full year, 1938. Records were

¹ Assistance in the preparation of this material was furnished by the personnel of Work Projects Administration, Official Project No. 65-1-71-140, Subprojects, 420 and 481.

² Thompson, Sam H., and Knute Bjorka, "Community Livestock Auctions in Iowa," *Ia. Agr. Expt. Sta. Bul. 376*, September, 1938, p. 277.

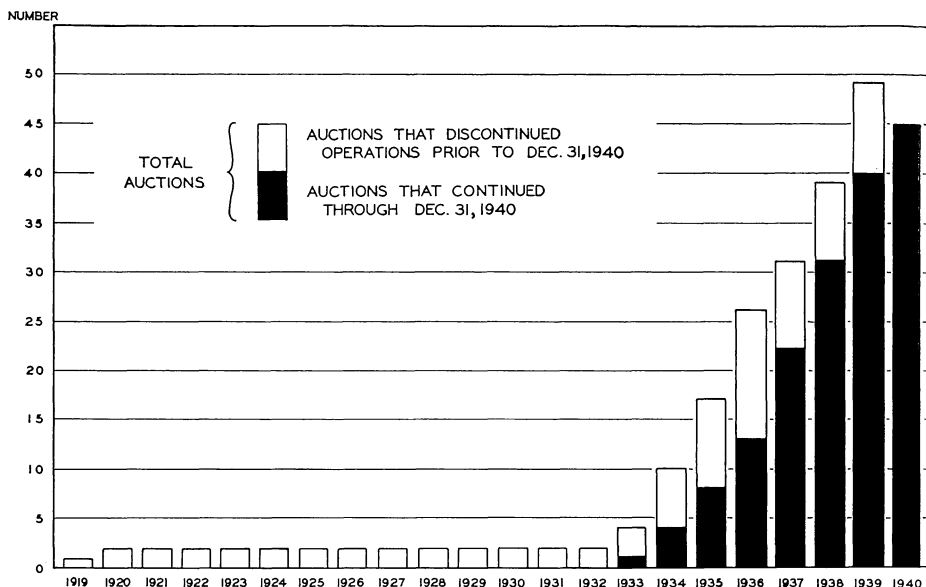


FIG. 1. NUMBER OF COMMUNITY LIVESTOCK AUCTIONS IN OPERATION IN MINNESOTA BY YEARS, 1919-1940

available for two auctions for 12 consecutive months from November 1, 1937 to October 31, 1938 and for three auctions from January or February, 1938 through to the corresponding month in 1939. Thus, 22 auctions were included in this section of the study.

Information concerning the organization and operation of auction markets was obtained through field investigations by representatives of the Division of Agricultural Economics. Thirty-six active auctions were visited during June, July, and August, 1939. Many of the auctions were visited on sales day to obtain more complete information on methods and practices. The investigators also obtained information regarding the ownership, operation, and reasons for the failure of many of the auction companies which had discontinued business. Such information was obtained through interviews with the former operators, local bankers, and others.

Historical Development

According to available records the first community livestock auction market in Minnesota was established at Belle Plaine in 1919, and the second at Sleepy Eye the following year. More than a decade elapsed before the next community livestock auction was organized at Walnut Grove in 1933. As shown in table 1, the number of new auctions increased gradually during the next two years and increased sharply in 1936 when 21 new auctions were established. This was followed by a gradual but continuous decline in the number organized. By December 31, 1940, 97 livestock auctions had been established, but only 45 were still in operation.

Of the 52 auctions that had ceased operations by the end of 1940, 20 were discontinued during the same year in which they were established and 15 during the following year. Many of

these held only a few sales at irregular intervals. Others held sales during the fall and winter and then closed because of lack of volume. The failure of such a large proportion of the auction markets indicates that many of them were established as trial ventures.

More than one half of the auctions that have been organized in Minnesota subsequently ceased operations (Table 1). Only one fourth of those established in 1936 were in operation at the close of 1940. Since 1936, however, a somewhat larger proportion of the newly organized auctions has remained in business. This may be due in part to the shorter period of time that has elapsed since they were established, but probably of even greater importance has been the combined effect of more favorable location and more effective operation. From 1932 through July, 1940 the number of auctions organized consistently exceeded the number that discontinued operations, resulting in a peak of 52 auctions. Thereafter the number declined to 45 at the end of 1940. One factor that probably contributed to this decline was the regulation in May, 1940 issued by the State Livestock Sanitary

Board which required the paving of alleys and pens used for hogs and sheep. The volume of business handled at some of the smaller auctions apparently was not sufficient to warrant the additional expense of paving.

Practically all auctions operating in Minnesota at the close of 1940 were located in the southern half of the state (Fig. 2). The greatest concentration occurred in the southwest and west central livestock and cash grain areas, where the sale of hogs and cattle combined constitutes the largest single source of farm income.

Reasons for Growth

Auction markets have been established in Minnesota primarily because of anticipated profits from their operation. This was the reason given by 32 of the 35 auction operators who supplied information on this point. The other three were established under the sponsorship and financial aid of business men in the towns in which they were located. The merchants were more interested in increasing the patronage

Table 1. Number of Community Livestock Auctions Established, Number Discontinuing Operations, Net Increase, and Number in Operation in Minnesota, by Years, 1919-40

Year	Number established by years			Number closed by years	Net increase	Number in operation at close of year
	Active Dec. 31, 1940	Closed prior to Dec. 31, 1940	Total			
1919.....	.....	1	1	.....	1	1
1920.....	.....	1	1	.....	1	2
1921-32*.....	.....	.....	.....	.....	.....	2
1933.....	1	1	2	.....	2	4
1934.....	3	3	6	.....	6	10
1935.....	4	4	8	1	7	17
1936.....	5	16	21	12	9	26
1937.....	9	9	18	13	5	31
1938.....	9	8	17	9	8	39
1939.....	9	7	16	6	10	49
1940.....	5	2	7	11	-4	45
Total.....	45	52	97	52	45	.....

* There were no new auctions established or old auctions discontinued during the period, 1921-32.

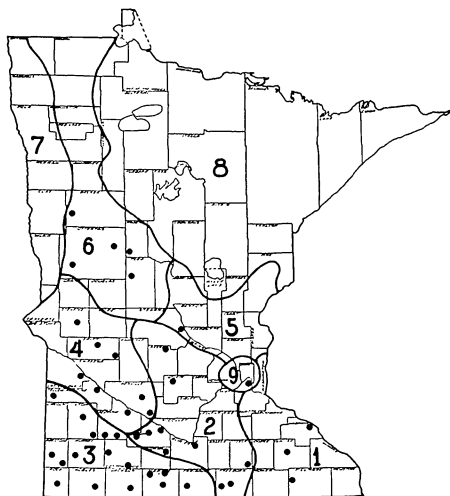


FIG. 2. DISTRIBUTION OF AUCTIONS IN OPERATION IN MINNESOTA ON JANUARY 1, 1941, BY TYPE-OF-FARMING AREAS

- Area 1—Southeast dairy and livestock
- Area 2—South central dairy and livestock
- Area 3—Southwest livestock and cash grain
- Area 4—West central livestock and cash grain
- Area 5—East central dairy and potatoes
- Area 6—Northwestern dairy and livestock
- Area 7—Red River Valley small grain, potatoes, and livestock
- Area 8—Northern cutover dairy, potatoes, and clover seed
- Area 9—Twin City suburban truck, dairy, and fruit

of their individual businesses than in obtaining profits from their investments in the auction markets.

Many important developments that contributed to the growth of community auction markets had been in progress for many years. These include (1) the extension of hard surfaced all-weather roads, (2) the development and improvement of motor trucks for trans-

porting livestock quickly and economically to and from the market place, (3) the use of automobile trailers and pickup trucks by farmers, (4) the development of more complete grade and weight classifications for livestock, and (5) improvements in the collection and dissemination of market news and market statistics. These developments enabled farmers and dealers to keep in closer touch with market conditions than was possible one or two decades ago.

Low prices for livestock during the period, 1930-33, and relatively inflexible transportation and marketing expenses also caused farmers and dealers to look for ways and means of reducing marketing expenses. Transportation and other marketing expenses represent a higher proportion of the total gross returns from the sale of livestock when prices are low than when prices are high. Transportation expenses are less when animals are sold near the farms where they are produced than if moved over greater distances. As most of the auctions in Minnesota charge a commission on the gross sale value of the livestock, the expense of selling through the auctions is less when livestock prices are low than when prices are high. The local auction markets also enable farmers to purchase or dispose of small lots of livestock near at home without being dependent upon one or a few local dealers. Some farmers are attracted because of the method of selling employed at auctions. Each lot is sold to the highest bidder, and the bids are made in the presence of all sellers and buyers.

Volume of Livestock Sold

DATA on the total number, average number, and percentage distribution of livestock sold at 22 auction markets in Minnesota, by species, during 1938, are shown in table 2. These data were obtained from the reports of individual sales forwarded to the State Livestock Sanitary Board by the auction operators. Cattle and calves constitute a little over one half of all animals sold, hogs nearly 34 per cent, sheep and lambs 12 per cent, and horses and mules 3 per cent. There was considerable variation, however, between the different auctions. At six of the auctions, the number of hogs sold exceeded the number of cattle and calves. At one auction, more sheep were handled than hogs, and more horses and mules than either sheep or hogs. Horses and mules were sold in comparatively large numbers at only a few auctions and, according to reports of auction operators, the number handled has declined considerably since 1938.

There was a great deal of variation in the number of livestock sold at the different auctions (Table 3). The largest auction included in the study sold 20,956 head of all species combined dur-

Table 2. Total Number, Average Number, and Percentage Distribution of Livestock Sold at 22 Auction Markets in Minnesota, by Species, During 1938

Species	Number of head		Percentage distribution
	Total	Average per auction	
	(number)	(number)	(per cent)
Cattle and calves	81,425	3,701	51.1
Hogs	53,629	2,438	33.6
Sheep and lambs	19,295	877	12.1
Horses and mules	5,079	231	3.2
Total	159,428	7,247	100.0

Table 3. Distribution of 22 Auction Markets in Minnesota According to the Total Number of Livestock Sold During 1938

Total number of head sold	Number of auctions
Less than 2,500	7
2,500 to 4,999	6
5,000 to 7,499	0
7,500 to 9,999	3
10,000 to 12,499	1
12,500 to 14,999	1
15,000 to 17,499	2
17,500 to 19,999	1
20,000 and over	1
Total	22

ing 1938, while the smallest auction handled only 1,251 head. Thirteen of the 22 auctions each handled less than 5,000 head of all species combined. The nine largest auctions, each with an annual volume in excess of 7,500 head of all species combined, handled approximately three fourths of all the livestock sold by these 22 auctions. With two exceptions, these larger markets were all located in Area 3 (Fig. 2), in the southwestern part of the state where the sale of livestock is the most important source of farm income. The other two large auctions were located in Areas 2 and 4, near Area 3. The type of farming practiced in the territory surrounding these two auctions does not vary greatly from that surrounding the other large auctions in Area 3.

Classification of Livestock Sold

In reporting their sales to the State Livestock Sanitary Board, the auction operators classified the consignments as shown in table 4. Steers accounted for

slightly more than one fourth of all consignments of cattle and calves. Heifers, which ranked second, comprised over 20 per cent of the total, calves 18 per cent, cows 16 per cent, and bulls about 8 per cent. Over 11 per cent were listed merely as cattle, so that it was not possible to segregate this group according to class.

The classifications used in these reports did not distinguish between slaughter stock and feeding and breeding stock. Thus, the steers included both feeder steers and slaughter steers; the heifers and cows included dairy and beef breeding stock as well as animals which were sold for feeding purposes or for slaughter; and calves included all young animals ranging from weaners

to feeder calves. Steers and heifers were sold in largest numbers at auctions located in the feeding areas in the southwestern part of the state. Six auctions, which handled between 1,000 and 3,000 calves each during 1938, were also located in this region. A large proportion of the calves sold at these markets consisted of feeder calves from the western range. The auction which handled the largest number of cows was located in the south central dairy and livestock area. Over two thirds of all cattle consigned to this market consisted of cows. A considerable number of bulls were sold at most of these auctions. For the most part, these animals were sold by farmers after they had been in service for one year or more.

Nearly 61 per cent of all hogs sold at these 22 auctions were feeder pigs. The proportion of feeder pigs to all hogs sold varied from one third to nearly 100 per cent. Sows accounted for about one fifth of all hogs sold. The greater part of these were bred sows sold in January, February, and March although packing sows and some sows with pigs were included in this group. Most of the hogs classified as boars and stags consisted of boars sold during the breeding season.

Slightly over one half of all the sheep sold at these auctions were classified as ewes. These were mostly native stock sold during the fall and winter months. Most of the lambs, which comprised over one third of all sheep handled, were sold during August, September, October, and November. A large proportion of the lambs were western stock shipped in for feeding purposes.

From the standpoint of numbers, horses and mules were relatively unimportant, less than 100 head having been sold during 1938 at each of nine of these markets. Between 100 and 200

Table 4. Average Number and Percentage Distribution of Different Classes of Cattle, Hogs, and Sheep Sold at 22 Auction Markets in Minnesota, 1938

Species and class	Average number sold	Percentage distribution
Cattle		
Steers	962	26.0
Heifers	747	20.2
Calves	682	18.4
Cows*	600	16.2
Bulls	293	7.9
Unclassified	417	11.3
Total	3,701	100.0
Hogs		
Pigs	1,481	60.7
Sows†	468	19.2
Boars and stags	219	9.0
Barrows and gilts	70	2.9
Unclassified	200	8.2
Total	2,438	100.0
Sheep		
Ewes‡	441	50.2
Lambs	299	34.1
Rams	50	5.7
Unclassified	87	10.0
Total	877	100.0

* Included a few cows with calves at foot

† Included a few sows with litters

‡ Included a few ewes with lambs

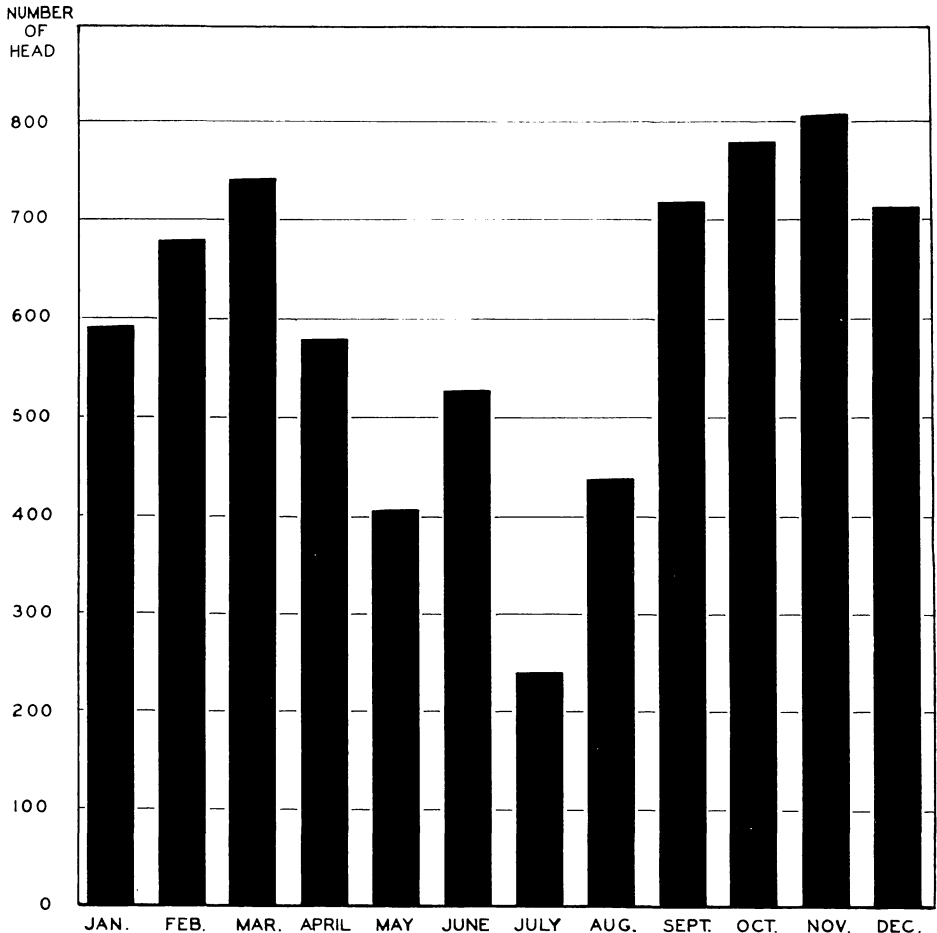


FIG. 3. AVERAGE SEASONAL DISTRIBUTION OF ALL SPECIES OF LIVESTOCK COMBINED AT 22 AUCTION MARKETS IN MINNESOTA, 1938

head were handled at each of five other auctions. Horses and mules, however, were important at a few of the markets. Slightly more than 900 were sold at the largest horse market, and slightly less than 900 at the next largest market.

Livestock Sold for Slaughter, Feeding, and Breeding Purposes

The auction managers of the 22 auctions included in this section of the study were requested to supply infor-

mation on the proportions of the various kinds of livestock handled through their respective sales barns that were purchased for slaughter and for feeding and breeding purposes during 1938. While these figures should be regarded only as estimates, they are fairly representative of the situation that prevailed while the study was in progress. According to these estimates approximately 22 per cent of the cattle and calves, 17 per cent of the hogs, and 10 per cent of the sheep and lambs were

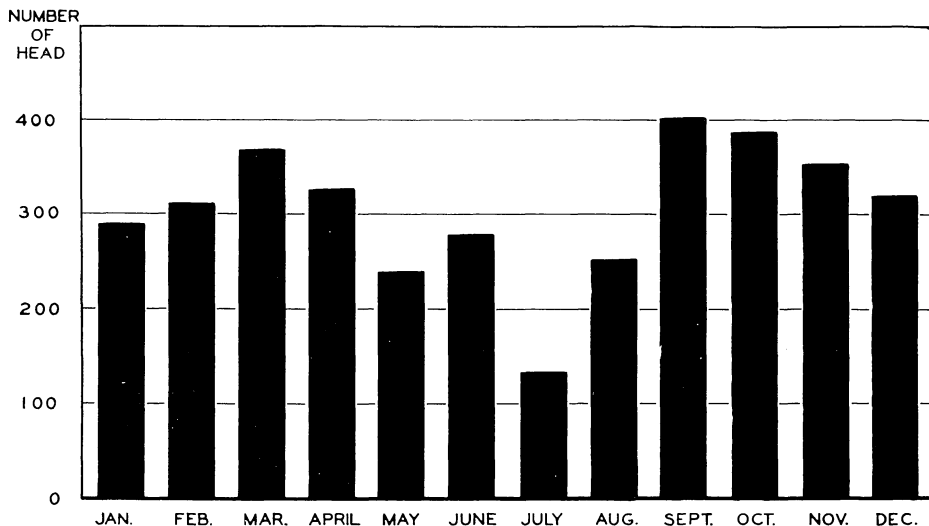


FIG. 4. AVERAGE SEASONAL DISTRIBUTION OF ALL CATTLE AND CALVES AT 22 AUCTION MARKETS IN MINNESOTA, 1938

purchased for slaughter and the remainder for feeding and breeding purposes. The proportion varied greatly from auction to auction. Several auctions reported that they handled little or no slaughter livestock. On the other hand a few operators reported that one half or more of their volume was sold for slaughter purposes.

Seasonal Distribution of Receipts

Considerable seasonal variation exists in receipts of livestock at auction markets. The average monthly receipts of cattle and calves, hogs, sheep, and horses and mules combined at 22 auctions during 1938 are shown in figure 3. The seasonal pattern shows that the highest point of the year was reached in November. This was followed by a decline during December and January, after which receipts increased to a secondary peak in March. Thereafter the volume declined sharply but ir-

regularly to the low point of the year in July. It is a common practice for some of the smaller auctions in Minnesota to hold fewer sales or to discontinue operations entirely during the summer months when harvesting operations are in progress. The volume handled increased moderately during August followed by a sharp advance during September and a more gradual advance from September to November. Although too much emphasis should not be placed on data covering seasonality of receipts during a single year, it is probable that 1938 was a fairly representative year in Minnesota. It was not marked by excessive drouth or excessive moisture, either of which would have affected the local feed supply and consequently the movement of livestock.

Seasonal Distribution of Cattle Receipts.—The seasonal distribution of receipts of all cattle and calves (Fig. 4) corresponded fairly closely to that of

all species combined (Fig. 3). The highest point of the year was reached in the fall with a secondary peak in March and the lowest point of the year in July. The chief differences were as follows: the high point of the year for cattle and calves occurred in September rather than November; and there was a less pronounced decline in receipts of cattle and calves than of all species combined from April through June.

The seasonal distribution of receipts is shown separately in figure 5 for each of the following groups: (1) steers, heifers, and unclassified cattle, (2) calves, (3) cows, and (4) bulls. The trend in receipts of steers, heifers, and unclassified cattle differed slightly from that of all cattle and calves. Receipts of steers, heifers, and unclassified cattle were more uniform from November through April and relatively higher during September and October than receipts of all cattle and calves. The relatively large receipts during the early fall reflected the movement of cattle from the western ranges to Minnesota feedlots. The heifers, which included beef and dairy breeding stock as well as western and native feeder stock, probably accounted largely for the greater uniformity in receipts of this group during the winter and spring than receipts of all cattle. The high point in calf receipts in September was probably due to the movement of feeder calves from the western ranges, while veal calves probably predominated in the late winter and early spring. Receipts of beef and dairy cows, which included a few cows with calves at foot, were more uniform throughout the year, except for the decline in July, than receipts of any other class of cattle. The seasonal movement of bulls through the auction markets differed

greatly from that of other classes of cattle. The high point of the year was reached in March with lightest receipts during the summer and fall.

Seasonal Distribution of Hog Receipts.—The seasonal distribution of hog receipts differed from that of cattle chiefly in the character of the late summer and fall movement. While cattle receipts increased sharply during the late summer and reached the high point

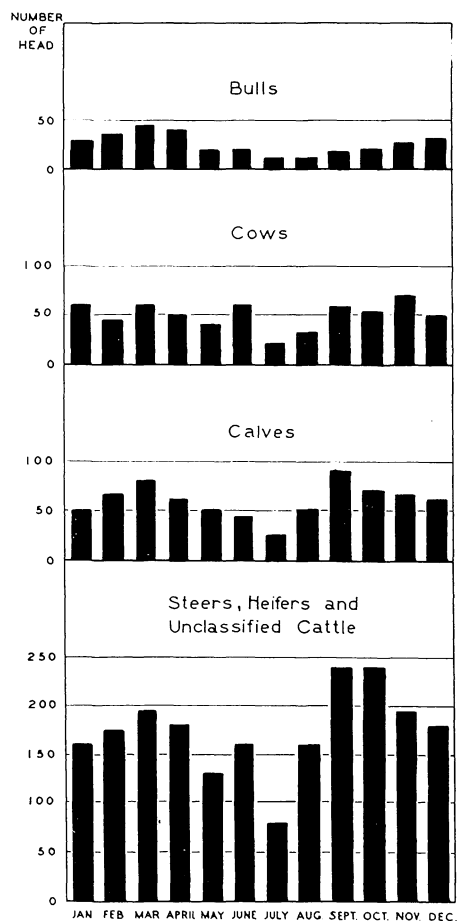


FIG. 5. AVERAGE SEASONAL DISTRIBUTION OF VARIOUS CLASSES OF CATTLE AT 22 AUCTION MARKETS IN MINNESOTA, 1938

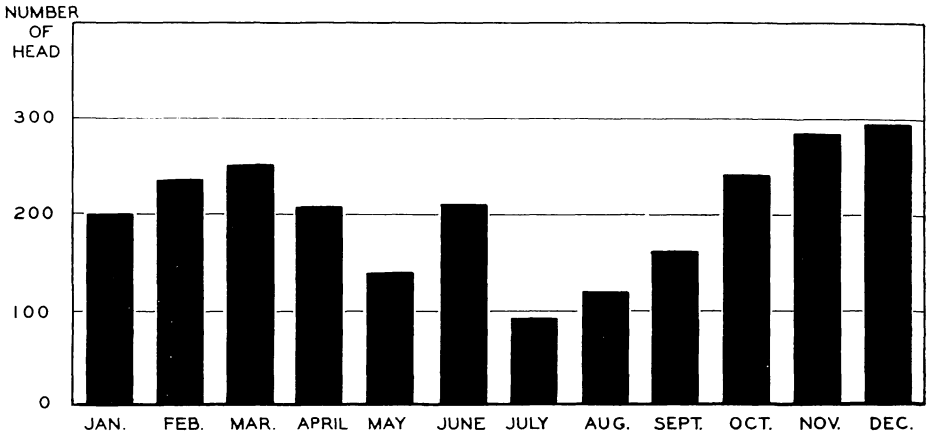
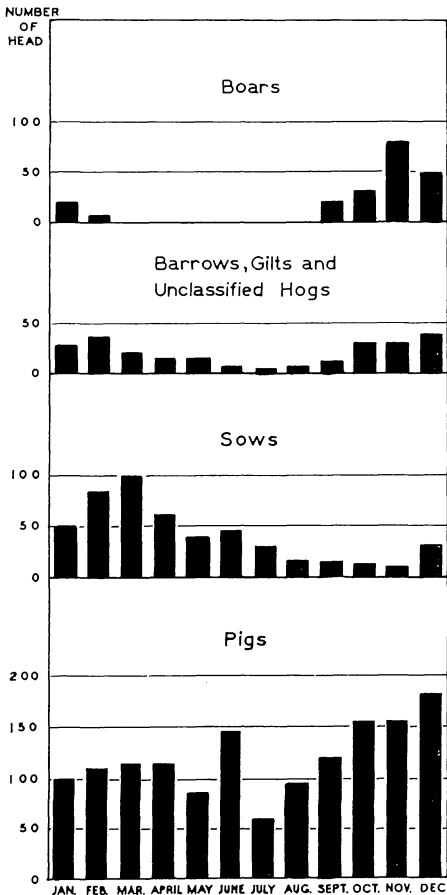


FIG. 6. AVERAGE SEASONAL DISTRIBUTION OF ALL HOGS AT 22 AUCTION MARKETS IN MINNESOTA, 1938



of the year in September, hog receipts increased gradually but consistently from July to December when the high point of the year was reached (Fig. 6). As feeder pigs constituted over 60 per cent of all hog receipts, the trend of receipts for all hogs was influenced greatly by the receipts of pigs (Fig. 7). However, receipts of feeder pigs were relatively much larger during June than receipts of other classes of hogs. On the other hand, receipts of sows were concentrated in the late winter and early spring. The relatively large proportion marketed from January through April suggests that bred sows rather than packing sows comprised the greater part of the sow classification. Eighty per cent of the boars were sold during October through January, the largest number being sold in November. Most of the barrows, gilts, and stags were marketed from October through March. A considerable proportion of these animals was probably purchased for slaughter.

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 FIG. 7. AVERAGE SEASONAL DISTRIBUTION OF VARIOUS CLASSES OF HOGS AT 22 AUCTION MARKETS IN MINNESOTA, 1938

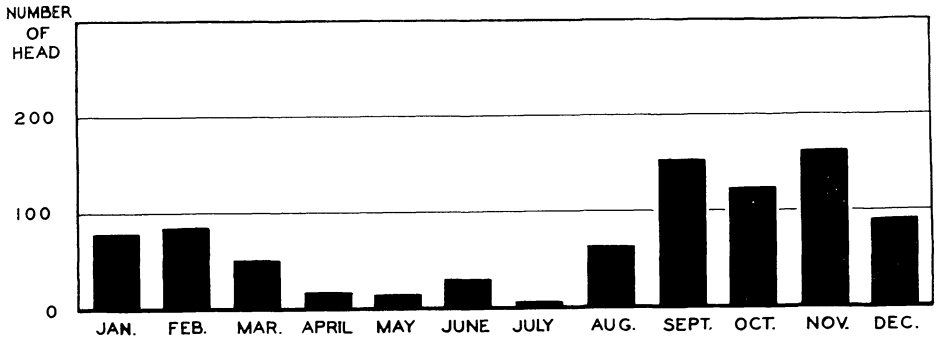


FIG. 8. AVERAGE SEASONAL DISTRIBUTION OF ALL SHEEP AT 22 AUCTION MARKETS IN MINNESOTA, 1938

Seasonal Distribution of Sheep Receipts.—The seasonal pattern of sheep receipts differed greatly from that of cattle and hogs. Slightly more than two thirds of all the sheep³ handled during the year were received from August through December (Fig. 8). Receipts were negligible from April to the end of July. The distribution of receipts of ewes corresponded closely with that of all sheep, except for a relatively smaller proportion during September (Fig. 9). Lambs, on the other hand, were marketed in greatest numbers during September. Over 80 per cent of the lambs were received during the last five months of the year. This is the period during which the feeder lamb movement reaches its peak. The seasonal distribution of ram receipts differed greatly from receipts of other classes of sheep. Over 95 per cent were marketed during the last four months of the year, November being the month of heaviest receipts.

Seasonal Distribution of Receipts of Horses and Mules.—The seasonal distribution of receipts of horses and mules is shown in figure 10. This classification included geldings, mares, horse

³The relatively few goats that were sold through these auctions were included in the total of all sheep as shown in figure 8.

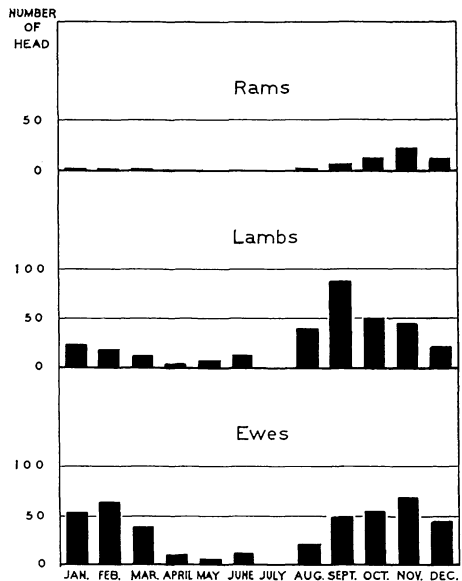


FIG. 9. AVERAGE SEASONAL DISTRIBUTION OF VARIOUS CLASSES OF SHEEP AT 22 AUCTION MARKETS IN MINNESOTA, 1938

colts, ponies, mules, and mule colts. Mares and geldings comprised about 90 per cent and mules less than 2 per cent of the total. Trading in horses and mules was concentrated in the winter and spring months, the peak being reached in March. Over 60 per cent of the horses and mules were marketed during the first four months of the year.

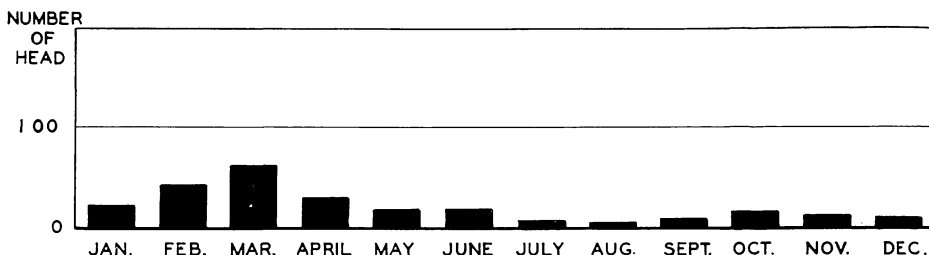


FIG. 10. AVERAGE SEASONAL DISTRIBUTION OF ALL HORSES AND MULES AT 22 AUCTION MARKETS IN MINNESOTA, 1938

Gross Value of Business Handled

The gross value of the business handled by individual auction markets in Minnesota during 1938 varied from \$40,000 to \$432,000 with an average of approximately \$170,000.⁴ As shown in table 5, 12 auctions reported an annual business of less than \$100,000. The business handled by six auctions exceeded \$300,000 each, and at one auction it was over \$400,000. These figures include the value of miscellaneous items sold as well as the gross returns from the sale of livestock.

All of these auctions handled some miscellaneous items, such as fence posts, farm machinery, hardware, and household goods. With the exception of fence posts, most of this business was in second hand commodities although some new articles also were sold. Most of the auction managers handled miscellaneous articles largely as an accommodation to their patrons. The sale of such merchandise was generally carried on while the crowds were gathering and before the sale of livestock was begun. Some auctions charged a special commission of 10 per cent on all miscellaneous commodities. In most cases, however, the commission was the same as that charged for selling live-

stock. All of the auction managers reported that the value of the miscellaneous items constituted a relatively insignificant proportion of the total business.

Area Served by Auctions

Minnesota livestock auctions appear to be predominantly local in character. The data shown in tables 6 and 7 indicate that livestock auctions received over 80 per cent of their consignments from an area within a 25-mile radius of the auction market and delivered 75 per cent of their consignments within a similar area.

This information was obtained from reports filed with the State Livestock Sanitary Board by the managers of 14 auction markets during 1938. The re-

Table 5. Distribution of 26 Auction Markets in Minnesota According to the Gross Value of Business Handled During 1938

Gross value of business	Number of auctions
\$ 50,000 and under	5
50,001-\$100,000	7
100,001- 150,000	3
150,001- 200,000	3
200,001- 250,000	2
250,001- 300,000	0
300,001- 350,000	3
350,001- 400,000	2
400,001- 450,000	1
Total	26

⁴These data are based upon reports made by the managers of 26 auctions to the Division of Agricultural Economics.

Table 6. Origin of Livestock Sold at 14 Auction Markets in Minnesota by Distance Zones, Based Upon Location of Consignors and Classified by Size of Auction, 1938

Size of auction	Number of auctions	Average number of animals handled	Per cent consigned from different zones				Total
			0-25 miles	26-50 miles	51-100 miles	Over 100 miles	
0-2,500	4	1,842	90.2	6.8	1.0	2.0	100.0
2,501-5,000	4	3,828	79.8	10.6	3.8	5.8	100.0
5,001 and over	6	13,006	80.0	13.0	3.3	3.7	100.0
Average of all auctions	14	7,194	80.7	12.2	3.2	3.9	100.0

ports included the post office addresses of the consignors and purchasers of each lot of livestock sold. By drawing zones of varying radii on a map about each auction, it was possible to determine the approximate area served by these auctions.

The larger auctions received a greater proportion of their consignments from farmers or livestock traders living outside the 25-mile radius than did the smaller auctions (Table 6). Auctions with consignments exceeding 2,500 head during 1938 received about 20 per cent of their livestock from the outlying areas. The four smallest auctions received only 10 per cent of their consignments from these areas.

A similar relationship to size of auction was also true with respect to the destination of livestock. The six largest auctions, each having an annual volume in excess of 5,000 head of livestock, delivered 27 per cent of their consignments to areas beyond the 25-

mile radius (Table 7). Auctions handling between 2,500 and 5,000 head of livestock delivered 20 per cent of their consignments to outlying areas, while the four smaller auctions delivered only 7 per cent of their livestock to similar areas.

All auctions, regardless of size, received a higher proportion of the livestock from beyond the 100-mile radius than the proportion sold to farmers or buyers living more than 100 miles from the markets. This reflects the movement of feeder stock from the western ranges through the auctions to local livestock feeders. The importance of this movement is probably greater than is revealed by the data. A number of livestock dealers who participated in this movement lived in the vicinity of the auctions and their home addresses were used as points of origin of the livestock consigned by them although some of their consignments were shipped from distant points.

Table 7. Destination of Livestock Purchased at 14 Auction Markets in Minnesota by Distance Zones, Based Upon Location of Buyers and Classified by Size of Auction, 1938

Size of auction	Number of auctions	Average number of animals handled	Per cent delivered to different zones				Total
			0-25 miles	26-50 miles	51-100 miles	Over 100 miles	
0-2,500	4	1,842	93.1	4.3	2.3	0.3	100.0
2,501-5,000	4	3,828	79.2	12.6	6.5	1.7	100.0
5,001 and over	6	13,006	72.9	22.1	4.2	0.8	100.0
Average of all auctions	14	7,194	75.3	19.5	4.3	0.9	100.0

Organization of Auction Markets in Minnesota

Ownership of the Business

Most of the auction markets in Minnesota are operated by private individuals and partnerships. Based upon information obtained during 1939 from the operators of 35 active auctions, 19 were operated by private individuals, 13 by partnerships, and 3 by corporations. The three auctions which were operated under corporate ownership were established under the auspices of local business men in the towns in which they were located.

Ownership of the Facilities

The facilities required to conduct auction markets may be either owned or leased by the operator. About two thirds of the operators, who supplied information on this point, owned the auction facilities, while 13 rented the facilities used in connection with the business. Of the latter group, 12 rented public buildings located on fair grounds, and one rented from a private owner. The rental rates varied from a minimum of \$50 per year, or slightly less than \$4 per month, to a maximum of

Table 8. Investment in Sale Barns and Other Facilities at 13 Auction Markets in Minnesota, 1939

Investment	Number of auctions
\$ 2,000 and under	4
2,001-\$ 4,000	4
4,001- 6,000	2
6,001- 8,000	0
8,001- 10,000	1
10,001- 12,000	1
12,001 and over	1
Total	13

Table 9. Livestock Pens Available at 36 Auction Markets in Minnesota Classified According to the Number of Open Pens, Number of Covered Pens, and Total Number of Pens, 1939

Number of pens	Number of auctions having the designated number of		
	Open pens	Covered pens	Total pens
None	14	0	0
19 or less	10	7	0
20-39	10	18	14
40-59	1	4	11
60-79	0	4	5
80-99	0	2	4
100 and over	1	1	2
Total	36	36	36

\$60 per month. The investment in sale barns and other facilities owned by the operators of 13 auction markets varied from \$1,800 to \$12,500 (Table 8).

Number of Pens

The number of livestock pens available at 36 different auctions varied from 24 to 170. Fourteen auctions had less than 40 pens each, 25 had less than 60 pens each, while the two largest auctions had over 100 pens each. As shown in table 9, all of these auctions were equipped with covered pens. Fourteen of the 36 markets were equipped with covered pens only, while 22 had both covered and open pens.

Weighing Facilities

Most of the Minnesota auctions, when first organized, were not equipped with weighing facilities. More recently, in response to the demands, particularly of farm patrons, scales have been in-

stalled at a majority of the auctions. Of the 36 auctions reporting on this question, 26 were equipped with scales, and two auction managers stated that they planned to install weighing facilities in the near future. All of the scales were under cover, and all but four were located in the sale pavilions or adjacent thereto.

The capacity of the scales at 22 of the 26 auctions that were equipped with weighing facilities varied from 8,000 to 20,000 pounds. Four scales were of the 8,000 pound class, eight 10,000 pounds, five 12,000 pounds, one 16,000 pounds, and four 20,000 pounds. Fourteen scales were of the self-registering type which enable the weighmaster to stamp the weight on duplicate scale tickets. All of the recent installations are of this type. Six managers reported that the scale beams would break at one-pound intervals, and the others at five-pound intervals or less.

Seating Capacity

Seating capacity, as reported by 35 auction operators, varied from 200 to 750. The largest number of auctions were equipped to accommodate between 300 and 399 patrons and visitors (Table 10). The auctions in the next largest class group were equipped to seat from 200 to 299 persons, followed by the 400 to 499 class group.

Table 10. Thirty-five Auction Markets in Minnesota Classified According to Seating Capacity, 1939

Seating capacity	Number of auctions
100-199	0
200-299	8
300-399	11
400-499	7
500-599	5
600 and over	4
Total	35

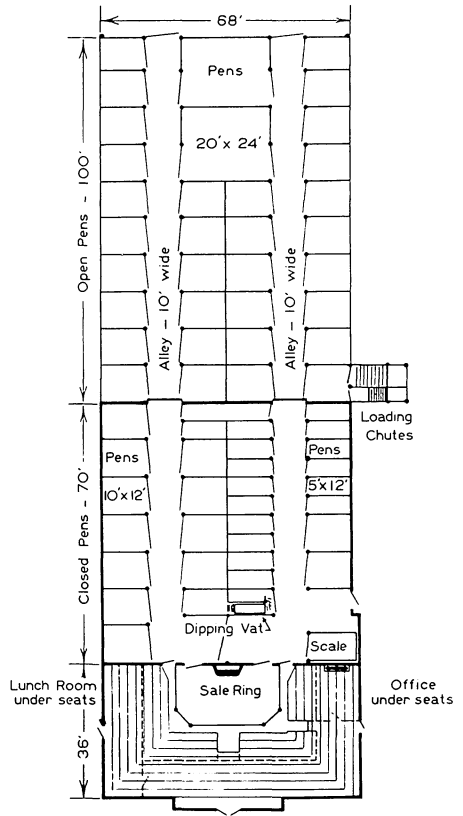


FIG. 11. FLOOR PLAN OF A WELL-ARRANGED MINNESOTA AUCTION SALE BARN

Arrangement

Note the convenient arrangement in figure 11 for routing livestock through the sale ring. The animals are driven into the ring at the auctioneer's right, out at his left, and immediately onto the scale. The weight of the consignment is read and recorded from the weigh beam located in the sale barn office. (See figure 13.)

The wide loading chute, shown in figure 11, is used for loading and unloading animals for trucks and semi-trailers. The narrow chute is constructed at a lower height for use by farm trailers. (See figure 15.)

Operation of Auction Markets in Minnesota

Frequency and Day of Sale.—Most of the auction markets in Minnesota hold sales once a week throughout the year, although some of the smaller markets hold sales less frequently or discontinue operations entirely during the summer months. As shown in table 11, Saturday is the most popular sale day with Wednesday ranking a close second. Fewer sales are held on Monday than on any other workday during the week.

The most important reason why the auctions in a given area are not all held on the same day is that the auction operators wish to avoid conflicts with other auctions in the same area. By scheduling the auctions on different days, livestock buyers can attend several auctions during the week, and consignors, who refuse the bids offered at one auction, can display their offerings at one or more other auctions in the area. This arrangement also enables custom truckers to utilize their time and facilities to better advantage.

Auction Market Personnel.—The personnel required to operate an auction market may be classified into auctioneers, ringmen, clerks, and yardmen (Table 12). The auctioneer is the agent

of the sales company who offers the livestock for sale and it is his function to obtain the highest possible bid for it. The ringmen are stationed in the sale ring to assist the auctioneer in obtaining bids from the crowd. Where only one auctioneer is employed, the ringman occasionally exchanges places with the auctioneer and conducts the sale. Two or three auctioneers and ringmen together commonly handle all of the selling.

Most auctions employ one or two clerks. Where two are employed, a listing clerk sits in the auctioneer's box or stands in the sale ring and records the transactions as the consignments are sold, while a settling clerk receives the records of the listing clerk, receives settlement from the buyers, deducts selling charges, and makes payment of the balance to the consignors. Where only one regular clerk is employed, a yardman commonly serves as listing clerk.

Yardmen attend to the handling of the livestock from the time it is unloaded at the sale barn, until it is loaded for shipment as directed by the purchaser. One yardman is usually employed full time to care for the auction facilities. The number of additional yardmen employed on sale day varies with the size of the auction and the season of the year.

Table 11. Thirty-five Auction Markets in Minnesota Classified According to Day of Sale, 1939

Day	Number of auctions
Monday	2
Tuesday	5
Wednesday	9
Thursday	4
Friday	5
Saturday	10
	—
Total	35

Method of Handling

Most of the livestock sold at Community Auctions is received on the day of sale before the actual selling begins. Although most auction managers prefer early receipts for the purpose of

Table 12. Thirty-six Auction Markets in Minnesota Classified According to the Number of Persons Employed in Various Personnel Groups, 1939

Number of persons	Number of auctions having the designated number of persons				
	Auctioneers	Ringmen	Auctioneers and ringmen	Yardmen	Clerks
0	0	3	0	0	0
1	24	19	1	1	15
2	12	13	14	6	13
3 .....	.....	1	18	9	7
4 .....	.....	.....	2	5	1
5 .....	.....	.....	1	4	.....
6 .....	.....	.....	.....	1	.....
7 .....	.....	.....	.....	3	.....
8 .....	.....	.....	.....	3	.....
9 .....	.....	.....	.....	1	.....
10 or more .....	.....	.....	.....	3	.....
Total	36	36	36	36	36

enabling pre-sale inspection by prospective buyers, they will, however, accept any consignment arriving before the last lot is sold. Such consignments are usually a small proportion of the total, although one large operator reported that 30 per cent of his total volume arrived during sale time. Auctions handling stocker and feeder cattle and sheep from the western ranges receive much of their stock previous to the day of sale. Ten managers reported that 25 per cent or more of their total receipts arrived one or more days before the sale.

When the animals are unloaded, they are assigned to a particular pen or pens. Where it is necessary to place animals consigned by more than one owner in the same pen, the animals are marked for identification by pasting numbers in the region of the hips, by clipping the hair, or by the use of chalk. As soon as the lot has been driven to its pen, a numbered cardboard ticket or weigh ticket is filled out by the yardman, the notation including the number of the pen, a description of the consignment, the consignor's guarantee, his instructions as

to whether the lot is to be sold by weight or by the head, and his signed statement to the effect that the animals are free from exposure to disease and are eligible for sale according to the rules and regulations of the State Livestock Sanitary Board. In some cases this ticket is attached to the pen containing the livestock.

As the animals are driven into the sale ring, a yardman hands the ticket to the auctioneer who reads the owner's description of the consignment and his guarantee. After the lot is sold the listing clerk tears off and files with his records a portion of the ticket on which he has written the name of the buyer and the price obtained.

At most auctions feed and water are available for the livestock before it is sold. Cattle and sheep are generally fed hay only, although at some auctions grain is also fed if requested by the consignor. Some auctions do not follow the practice of feeding hogs unless they have arrived prior to sale day or are held over night before they are removed. In most cases only moderate feeding is practiced and no attempt is made to obtain a heavy fill.



FIG. 12. PROSPECTIVE BUYERS INSPECTING WESTERN FEEDER CATTLE BEFORE THE AUCTION BEGINS

Livestock Sold by Individual Ownership.—All livestock at Minnesota auctions is sold in separate lots by individual ownership. The owner is usually given the choice of having the animals in his consignment sold individually or as a single lot. The common practice is to sort the animals into groups that are fairly uniform with respect to size, condition, and quality. Feeder cattle from the western ranges are usually sold in lots of from 10 to 25 animals.

Order of Sale.—The order of sale varies with different auctions and, in some cases, the order varies with the season of the year. Miscellaneous articles are usually sold first while the crowd is assembling. The most common order of sale among the different species of livestock is as follows: hogs, sheep, horses, and cattle. The objective is to maintain buyer interest to the end and, at most auctions, more buyers are interested in the cattle consignments than in any of the other species. During seasons of the year when buying

interest centers largely around other species, the order of sale is changed so that the species in which there is the greatest interest is sold last.

Guarantee of Livestock.—Minnesota auction companies do not guarantee the livestock handled by them. They serve as agents for consignors and purchasers. At several auctions, however, a representative of the auction management makes an inspection of the livestock and reports his findings to the auctioneer as the consignment is driven into the sale ring. The purchaser is usually permitted to inspect the animals after they have left the ring and if he finds defects not mentioned in the sale ring he is given the privilege of rejecting the purchase. Several auctions, however, allow rejections only on horses and milk cows.

Guarantees made on horses usually include the age, condition of eyes and wind, and disposition when hitched and worked. Auctions that handle comparatively large numbers of horses usually hitch them to wagons immediately after they are sold and before they are removed from the premises. Guarantees on milk cows usually include the condition of the udder, amount of milk, disposition while milking, and age. Animals sold for breeding purposes are commonly guaranteed to be regular breeders. The auction companies assume no obligations after the livestock is paid for and removed from the premises.

Basis of Sale.—Slaughter animals are commonly sold by weight at all of the auctions that are equipped with scales. Most of the feeder animals are also sold by weight, although a considerable proportion of the feeder pigs and some feeder cattle are sold by the head. On the other hand, the greater part of the breeding stock of all species is sold by

the head. In some cases, however, breeding stock is sold by weight. This applies more particularly to animals that appear to be suitable for slaughter or feeder purposes as well as for breeding. At auctions that are not equipped with scales, all animals are sold by the head.

At all of the Minnesota auctions where livestock is sold by weight, the animals are weighed immediately after they are sold. They are moved from the sales ring directly over the scales, weighed, and then driven to their pens. Where the scales are equipped with self-registering beams, one of the duplicate scale tickets is usually given to the buyer and the other is either given to the consignor of the livestock or retained by the auction operator. This type of scale tends to reduce errors and thus adds to the confidence in the weighing on the part of both sellers and buyers.

Most farmers are placed at a distinct disadvantage when selling or buying livestock by the head because they are not able to estimate weights as accurately as livestock dealers, buyers, and others who devote their time largely or entirely to handling livestock. All auction markets should be equipped with scales, and the management should encourage sale of most classes of slaughter and feeder animals by weight rather than by the head. However, sale by the head may be a satisfactory method of purchase or disposal of young, immature animals, some breeding stock, and dairy cows.

Marketing Charges

In selling livestock farmers are primarily interested in the net returns at the farm after all marketing expenses have been deducted and after the convenience of the market has been considered. The expenses of marketing



FIG. 13. WEIGHMASTER RECORDING THE WEIGHT OF A CONSIGNMENT ON DUPLICATE SCALE TICKETS

commonly include transportation; losses from death, crippling, bruising, and tissue shrinkage; commission fees; veterinary inspection; and yardage and feed. Commission charges at auction markets commonly include weighing and yardage in addition to the selling charge and hence are not comparable to commission charges at public markets where these items are charged separately. At some auctions veterinary inspection is charged as a separate item, while at others it is included in the commission charge. Since the data available for this study were limited to charges for selling, yardage, feed, insurance, and veterinary inspection, it was not possible to make a comparison between the combined marketing expenses at auction markets and at other types of outlets.

Selling Charges for Cattle, Hogs, and Sheep.—Considerable variation in the method of assessing commission charges and in the rate charged exists among auction markets in Minnesota. As

shown in table 13, at 31 of the 36 auctions reporting, commission charges on cattle, hogs, and sheep were based on a specified percentage of gross value. At the other five auctions, the commission charges for these species were assessed on a per head basis.

Of the 31 auctions which charged specific percentage rates, 17 charged a uniform rate regardless of the value of the consignment. At the other 14 auctions included in this group, the rate was reduced on consignments of larger value. The rates shown in the next to the last column in table 13 applied to consignments which sold for less than a specified minimum amount. Consignments which sold for amounts exceeding this minimum were charged lower rates.

At the five auctions where selling charges were levied on a per head basis, the rates were graduated downward as the value of the consignment or the number of animals in the consignment increased. An example of this type of commission schedule is shown in figure 14. The method of assessing these charges varied considerably among the different species and among the different auctions.

In addition to these variations in commission charges, three auction op-

erators reported that livestock dealers were granted special concessions. Such practices do not appear to be equitable and are likely to lead to dissatisfaction on the part of the other consignors.

Selling Charges for Horses and Mules.—At 19 auctions, all horses and mules were sold at a specified commission per head, the charge being graduated according to the value of the animals. The most usual charge varied from \$1.25 for low-value animals to \$3.50 for high-value consignments. The minimum per head charge reported was \$1.00, while the maximum was \$5.00. At the other 17 auctions, the same percentage rates were charged for selling horses and mules as were charged for selling other species of livestock.

Yardage Charges.—None of the auctions included in this study made a specific charge for yards and pens used by animals that were sold. This was included in the commission or selling charge. One auction, however, charged yardage in lieu of a reduced commission on animals that were not sold.

Feed Charges.—Twenty-three of the 36 operators who reported on feeding practices stated that no feed was used except for animals that arrived prior

Table 13. Distribution of 36 Auctions in Minnesota According to Method of Assessing Commission Charges on Cattle, Hogs, and Sheep, 1939

Method of Assessing Commission Charge	Number of Auctions Charging Uniform or Graduated Rates		Total
	Uniform Rate Regardless of Gross Value	Rate Reduced as Gross Value or Numbers Increase	
Charge Based Upon Percentage of Gross Sales—			
3 per cent	1	1	2
4 per cent	2	6	8
5 per cent	14	6	20
6 per cent	0	1	1
Charge by the head.....	0	5	5
Total	17	19	36

to sale day or for those that were held over. Practices and charges at the other 13 auctions varied considerably. Cattle, sheep, and horses were more commonly fed than calves and hogs. In some cases feed was furnished at cost, while in others a specific charge per day was made. These charges varied from 10 to 25 cents per head for cattle, 4 to 10 cents for sheep, and 40 to 50 cents for horses. At one auction, hay was supplied by the management, and other feeds supplied at cost.

Insurance Charges.—At only six of the 36 auctions was a specific charge assessed against consignors for the protection of livestock from loss by fire while on the auction premises. The rates varied from 1 cent per head on all species to 5 cents per head on cattle, 3 cents on hogs and sheep, and 10 cents on horses. Most of the operators either did not insure the animals against loss from fire or included this expense in the selling charges or in the charges for veterinary inspection.

Veterinary Inspection.—The expense of veterinary inspection was included in the selling charges at 17 auctions, while a specific charge was assessed against consignors at the other 19 markets. These charges varied from 3 to 6 cents per head for cattle, 2 to 5 cents for hogs and sheep, and from 3 to 15 cents for horses. The most usual charges were 5 cents per head for cattle, 3 cents for hogs, 2 or 3 cents for sheep, and 5 or 10 cents for horses.

Charges for Vaccinating Hogs and Dipping Sheep.—The expense of vaccinating hogs and dipping sheep that required such treatment before leaving the auction premises was usually paid by the purchasers. The expense of vaccinating hogs varied with the size of

(Effective January 10, 1939)	
COMMISSION CHARGES (includes Yardage and Selling Services)	
CATTLE—\$20.00 or Over	CATTLE—Under \$20.00
1 head ----- \$ 1.10	1 head ----- \$.85
2 head ----- 2.18	2 head ----- 1.66
3 head ----- 3.18	3 head ----- 2.43
4 head ----- 4.16	4 head ----- 3.08
5 head ----- 5.10	5 head ----- 3.82
6 head ----- 6.00	6 head ----- 4.50
7 head ----- 6.86	7 head ----- 5.11
8 head ----- 7.68	8 head ----- 5.68
9 head ----- 8.46	9 head ----- 6.21
10 head ----- 9.20	10 head ----- 6.70
11 head ----- 9.90	11 head ----- 7.15
12 head ----- 10.56	12 head ----- 7.50
13 head ----- 11.18	13 head ----- 7.93
14 head ----- 11.76	14 head ----- 8.20
15 head ----- 12.30	15 head ----- 8.55
16 head ----- 12.80	16 head ----- 8.80
larger drafts 75c per	larger drafts 50c per
Veal calves selling for \$8.00 and under, 50c per head.	
Calves selling more than \$8, same as cattle under \$20	
Bulls: Selling for \$40.00 and up ----- \$1.50	
Selling for \$30.00 and up to \$40.00 ----- 1.25	
Selling for under \$30.00 ----- 1.00	
HOGS—Selling for	SHEEP
Less than \$1.00.....10c	Ewes with lambs 30c
\$1.00 to \$2.00.....15c	Bred Ewes -----25c
\$2.00 to \$4.99.....20c	Lambs -----20c
\$5.00 to \$9.99.....25c	Bucks -----25c
\$10.00 and up.....30c	Over 50 hd. in dr. 15c
Boars and Sows.....50c	O'er 100 hd. in dr. 10c
HORSES	Bid In:
Selling up \$25.....\$1.25	Cattle, Hogs, Sheep,
\$25 to \$75..... 2.50	Horses
\$75 and up..... 3.00	One-Half Reg. Com.
FEED CHARGES	Testing Hogs
Horses.....25c per day	Double Treatment
Cattle:	Suckling Pigs -- \$.30
Over 400 15c per day	20-40 lbs. ----- .35
Und. 400 10c per day	40-70 lbs. ----- .50
Hogs.....10c per day	70-100 lbs. ----- .60
Pigs.....5c per day	100-150 lbs. ----- .80
Sheep, mature 7c	150-250 lbs. ----- 1.00
per day	Single Treatment
Lambs.....5c per day	Suckling Pigs -- \$.30
Insurance Inspection	20-40 lbs. ----- .35
Horses 5c Horses 10c	40-70 lbs. ----- .45
Cattle 5c Cattle 5c	70-100 lbs. ----- .50
Sheep 2c Sheep 2c	100-150 lbs. ----- .60
Hogs 2c Hogs 2c	150-250 lbs. ----- .90
Testing Cattle	Dipping
Includes Feed for 3 days	Sheep
Tuberculosis Test—75c per head	10c per head
Bangs Test—75c per head	
Combination T. B. and Bangs Test \$1.00	

FIG. 14. SCHEDULE OF CHARGES MADE AT AN AUCTION WHERE THE LIVESTOCK IS SOLD ON A GRADUATED PER HEAD BASIS

the animals, while the usual charge for dipping sheep was 10 cents per head.

Consignors and Purchasers of Livestock

The owners of livestock consigned for sale at auction markets include farmers, livestock dealers, and auction operators. Buyers at auctions include farmers, livestock dealers, auction operators, and packers.

Information on the relative proportions of the different species consigned and purchased by different types of

sellors and buyers during 1938 was obtained from an examination of the reports of 22 auction operators which were filed with the State Livestock Sanitary Board. The names of licensed livestock dealers and buyers were obtained from the Livestock Buyers License Division of the Minnesota Railroad and Warehouse Commission. As licenses are required only of buyers and dealers who purchase slaughter livestock, it was necessary to add to this list the names of nonlicensed local dealers, truckers, and farmer-traders whose names appeared repeatedly as consignors or buyers on the reports filed with the State Livestock Sanitary Board by the auction operators. The consignments and purchases of auction operators were obtained directly from the sales reports. Consignments and purchases made by individuals whose names were not included in these lists were considered to be the consignments and purchases of farmer patrons.

The proportions of the different species of livestock consigned by farmers, dealers (including local dealers, truckers, and farmer-traders), and auction operators at 22 auctions during 1938, are shown in table 14. Farmers consigned over 52 per cent of all species combined, dealers 39 per cent, and auction operators over 8 per cent. Dealer consignments included large numbers of feeder cattle and some feeder lambs which they obtained from

the western ranges, dairy cows purchased by them in the dairy areas in the northern and eastern parts of the state, and animals purchased from farmers and others in the communities in which the auctions were located. The auction operators consigned over 8 per cent each of the cattle, hogs, and sheep, and less than 5 per cent of the horses sold at their respective auctions. Much of this stock consisted of western feeder cattle and sheep although some of the auction operators also purchased local livestock to insure the maintenance of a satisfactory volume of business at their individual markets.

A larger proportion of the livestock sold at the auctions was purchased by farmers than was consigned by farmers. Farmers purchased more than 61 per cent of all livestock sold. Of the different species, farmers purchased 53 per cent of the cattle, 72 per cent of the hogs, 67 per cent of the sheep, and 67 per cent of the horses. The rest of the livestock was purchased largely by dealers, (including local dealers, truckers, packer buyers, and farmer-traders) although the auction operators purchased a relatively small proportion of the consignments either to assist in maintaining prices or to obtain stockers, feeders, or breeding stock for their own farms.

Attention should be called to the fact that the dealer purchases included slaughter animals as well as stocker.

Table 14. Proportions of the Various Species of Livestock Sold by Different Types of Consignors at 22 Auctions in Minnesota, 1938

Type of Consignor	Per cent consigned				
	Cattle	Hogs	Sheep	Horses	All Livestock
Farmers	44.7	59.3	64.8	56.4	52.4
Dealers*	46.8	32.1	26.5	38.8	39.2
Auction operators	8.5	8.6	8.7	4.8	8.4
Total	100.0	100.0	100.0	100.0	100.0

* Including local dealers, truckers, and farmer-traders.

Table 15. Proportions of the Various Species of Livestock Purchased by Different Types of Buyers at 22 Auctions in Minnesota, 1938

Type of buyer	Per cent purchased				
	Cattle	Hogs	Sheep	Horses	All Livestock
Farmers	52.8	72.1	66.6	67.5	61.4
Dealers*	45.8	27.0	32.1	30.8	37.4
Auction operators	1.4	0.9	1.3	1.7	1.2
Total	100.0	100.0	100.0	100.0	100.0

* Including local dealers, truckers, packer buyers and farmer-traders. Packer buyers purchase slaughter animals of all species except horses.

feeder, and breeding animals. It may be assumed that farmers bought relatively few slaughter animals, and as shown in table 15, purchases made by the auction operators were relatively insignificant. Based upon the auction operators' estimates of the proportions of the different species sold for slaughter and upon the assumption that the slaughter animals were all purchased by dealers, it appears that over two thirds of the dealer purchases of sheep, over one half of their purchases of cattle, and over two fifths of their purchases of hogs were for slaughter.

It is generally believed that the auction market development has been responsible for some of the increase that has taken place during recent years in the number of livestock dealers who buy and sell livestock in the country. Many truckers, who formerly devoted their time to custom trucking only, now also buy and sell livestock at auction markets in addition to their trucking activities. There has also been an increase in the number of farmers who buy and sell livestock at irregular intervals. Such farmers, commonly called farmer-traders, attend auctions and purchase occasional lots that give promise of a speculative gain. Auction operators also frequently purchase livestock from local farmers and from more distant producers to be consigned for sale at their own auctions. In addition

to these relatively new types of livestock dealers, there are, in most communities, a number of regular livestock dealers who operate at fixed points and who devote their time largely or entirely to buying and selling livestock.

Farmers are often critical of the presence of numerous livestock dealers at auction sales. They feel that there is considerable duplication of services and that much of the speculative activity on the part of some livestock dealers is detrimental to the best interests of the industry. On the other hand, dealers who patronize auction markets maintain that they serve in much the same capacity as livestock traders and dealers at public markets and that their activities tend to equalize prices.

Dealers buy livestock wherever and whenever they believe that the prices offered are below current market values and sell as advantageously as possible. They contend that their buying activities tend to strengthen the low price markets and that their selling activities have the opposite effect on the high price markets. Furthermore, the dealers call attention to the services they are rendering in making available feeder cattle and sheep from the western ranges to farmers who patronize community auctions, and in moving breeding stock and dairy cows from surplus to deficit areas.

Farmer criticism of the practice of

auction operators who consign substantial proportions of the offerings at their respective sales is based upon their belief that such consignments are likely to receive preferential treatment in the sale ring. Auction operators, who follow this practice, believe that it is advantageous to all parties concerned because it insures a satisfactory volume of business. They maintain that an adequate supply of salable stock is the best inducement for large numbers of buyers to attend and the best insurance that satisfactory prices will be obtained on all consignments. One auction manager, who sells a considerable volume of livestock through his own sale ring, reported that his patrons had no objection to this practice because he made it a point to plainly identify all such consignments as his own. Auction operators also defend their buying activities in the sale ring on the grounds that this gives consignors additional protection against the possibility of unsatisfactory prices. Some auction operators feel that they can best retain the good will and confidence of their patrons by consistently refusing to trade in the livestock handled at their respective sales.

Method of Sale

The method of selling livestock at community auctions is similar to that used at typical farm or purebred livestock auctions. Animals are driven into the auction ring and offered for sale by the auctioneer. Bidding is public and the highest bidder purchases the consignment.

Consignors' Protection Against Unsatisfactory Prices.—All of the Minnesota auctions permit consignors to refuse bids which they consider to be unsatisfactory. The consignor may do this in

one of three ways: (1) by calling, "No Sale," as the consignment is sold by the auctioneer; (2) by bidding in his own animals; or (3) by indicating on the consignment ticket the lowest price he will accept. Of 36 auctions that reported on this point, 23 allowed the consignor to call, "No Sale," 11 permitted the owners to bid-in their own consignments, and two required the seller to enter the minimum acceptance price on the consignment ticket. Six of the 11 auction managers who permitted the owners to bid-in their own animals reported that the consignors were restricted to a single bid. A few other managers reported that they had such a ruling but that it was difficult to prevent additional bye-bidding on the part of consignors.

Charges Made for Consignments Not Sold.—Most auctions waive all commission charges on lots of cattle, hogs, and sheep that pass through the sale ring but are not sold. Of the 32 auctions that supplied information on this point, 26 followed this plan, seven assessed one half of the regular commission or less on all such consignments, and one charged regular consignors no commission and irregular consignors full commission. Most of the auctions that waived commission charges on animals that were not sold charged the consignors for feed and veterinary inspection, and in some cases for yardage and insurance. Many of the auction operators expressed the opinion that the elimination or reduction of commission charges on unsold animals was an important factor in maintaining the good will of consignors.

In contrast to the situation with respect to cattle, hogs, and sheep, practically all of the auctions assessed commission or handling charges on horses that passed through the ring but were

not sold. The charge among different auctions varied from 50 cents a head to the full commission. The managers reported that this was necessary to prevent horse traders and implement dealers, who had accepted horses as down payments on farm machinery, from running their horses through the sale ring primarily for "inventory" purposes.

Percentage of Various Species of Livestock Not Sold.—The practice of allowing consignors to refuse the bid offered or to bid-in their own livestock results in a number of animals passing through the sale ring without being sold. To ascertain the proportion of unsold animals, an examination was made of the reports filed with the State Livestock Sanitary Board by 22 auction operators for 1938. Lots that were reported under the heading of "No Sale" and those that were bid-in by the consignors, as indicated by the similarity of names of consignors and buyers, were classified as unsold animals. It was found that 4.6 per cent of the cattle, 3.4 per cent of the hogs, 9.3 per cent of the sheep, and 17.4 per cent of the horses, or 5.2 per cent of all species combined that passed through the ring were not sold.

It is commonly believed that most of the refusals of sale are made by livestock dealers and that few farmers take their livestock back home from the auction. A separation of lots on which sales were refused into consignments by farmers and by livestock dealers indicates that farmers also make considerable use of the privilege of rejecting the highest bid. Approximately 39 per cent of the unsold animals were consigned by farmers and 61 per cent by livestock dealers.

Bye-Bidding.—The term "bye-bidding" refers to the activities of owners

who attempt to raise the price on their own consignments by bidding in competition with bona fide buyers. The actual bye-bidding may be done by the owners or by agents of the owners.

It was not possible to determine the extent to which bye-bidding was practiced at the auctions included in this study. A few auction operators apparently made no attempt to restrict this practice. Others reported that regulations governing the operations of their auctions prohibited bye-bidding, but that such regulations were difficult if not impossible to enforce. Most of the auction operators, however, appeared to be making an honest and effective effort to prevent or at least reduce this practice. Several managers reported that bye-bidders could often be detected by their evident lack of interest in the animals in the ring and their quick response to the auctioneer's effort to raise the bid. One auctioneer followed the practice of publicly informing bye-bidders that their bids were not acceptable. Another reported that he occasionally sold the livestock to the bye-bidder and charged the full commission rate.

Bye-bidding, as the term is commonly understood, is an unethical practice that should be eliminated from the auction ring. Where this practice is prevalent, it is not possible to retain the confidence of bona fide buyers and sellers. The failure of a number of auction markets in the past may be credited largely to the prevalence of bye-bidding on the part of scalpers, traders, and others. Auctions where bye-bidding is common appear to have a much higher proportion of "no sales" and of purchases of stock by the original consignors than auctions that prohibit or restrict this practice. Methods of protection provided by all Minnesota auctions appear to safeguard ade-

quately consignors against unsatisfactory prices. The most satisfactory method of protection, which at the same time would tend to eliminate bye-bidding, appears to be the privilege of refusing the sale as soon as the lot has been sold. If some bye-bidding persists, it could be effectively discouraged by charging the seller the full commission on all consignments bid-in either by himself or by his agent.

Announcing the Names of Consignors and Buyers.—The names of consignors of livestock are less frequently announced at auctions than the names of buyers. Only six out of 35 auctions regularly announce the names of consignors while 18 out of 34 reporting auctions regularly announce the names of buyers. At the six auctions where the names of consignors are regularly announced, this is done by posting the consignors' names on the pens in which their livestock is yarded. Several auction operators reported that many dealers, whether consignors or buyers, prefer to keep their identity from being known.

From the standpoint of maintaining confidence in the market, it appears that the names of all consignors and buyers should be made public. Perhaps the

best method of making known the names of the consignors is to post their names on the pens in which their animals are yarded. This enables prospective buyers to associate the names of the consignors with the livestock during the pre-sale inspection. It also permits a more accurate appraisal of the dependence that may be placed in the consignor's guarantee. The names of buyers should be announced by the auctioneer as the various lots are sold.

Selling Livestock by Private Treaty.—Most Minnesota auction operators give consignors the privilege of selling livestock privately on the auction premises before the sale by auction begins. This privilege was granted by 29 of the 35 managers that supplied information on this question, while the other six specifically barred this practice. All but two of the operators granting this privilege charged the regular commission on all sales made privately. One auction assessed one half of the regular commission on private sales and the other made no charge.

Many of the auction managers, who granted consignors the privilege of making private sales on the premises, reported that they did so reluctantly and that they tried to discourage this practice. It often led to criticism on

FIG. 15. UNLOADING LIVESTOCK. (Left) UNLOADING WESTERN FEEDING CATTLE FROM LARGE SEMI-TRAILER; (Right) UNLOADING HOGS FROM FARM TRAILER

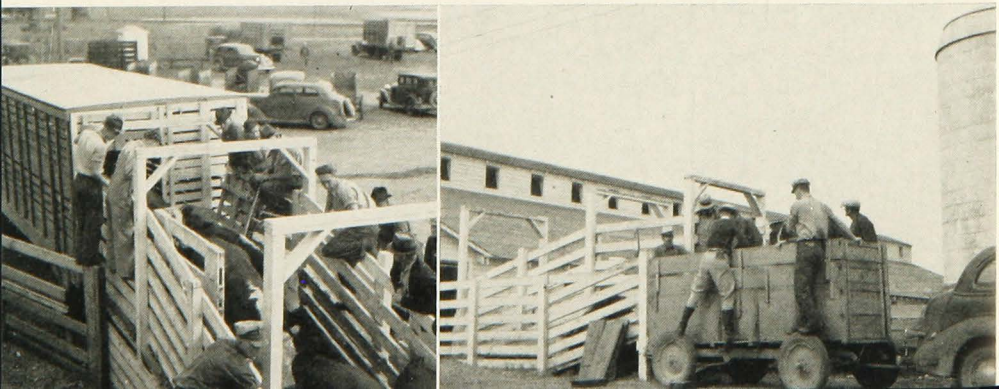




FIG. 16. SETTling FOR LIVESTOCK PURCHASED AT A MINNESOTA AUCTION.
ALL TRANSACTIONS ARE CLEARED THROUGH THE SETTling CLERK

the part of prospective buyers who came to the sale to inspect the livestock, which had been advertised, only to find that it had been sold privately. Even though some consignors may prefer the option of accepting offers which they believe may not be equalled in the sale ring, it appears that this practice should be discouraged.

Transportation of Livestock

The motor truck is the predominant means of transporting livestock to and from Minnesota auctions. About 88 per cent of the receipts of 33 reporting auctions arrived by motor truck and over 99 per cent were shipped out by motor truck. All rail receipts were consigned from areas more than 100 miles from the auctions, chiefly from the western range states. Consequently, the proportion arriving by rail was higher at auctions which handled large numbers of western feeder cattle and sheep than at auctions which received their consignments largely from nearby areas. One auction operator reported

that 40 per cent of his total consignments arrived by rail. On the other hand, 18 operators reported that their receipts came exclusively by motor truck. At 31 auctions all of the livestock was shipped out by motor truck, and at the other two relatively small numbers were shipped out by rail.

Settlement

All financial settlements between buyers and sellers are cleared through the auction companies. Buyers are generally required to pay the company in full for their purchases and also in some cases to pay for vaccinating hogs that are immunized at the sale barns before they are permitted to remove the livestock from the premises.

The consignors are paid by the auction companies. Each consignor receives the gross proceeds from the sale of his particular animals less selling expenses. Most auctions withhold payment to the consignors until the purchasers have accepted and settled for the livestock. Four auctions, however,



FIG. 17. LUNCHROOMS ARE PROVIDED AT MOST AUCTIONS

reported that they settled with the consignors immediately after the stock had been sold, while six reported that they made immediate payments on all livestock except horses and milk cows. On the other hand, four auctions did not make payments to consignors until the day following the sale.

Insurance

Most of the Minnesota auctions insure the livestock against possible losses from fire while the animals are on the auction premises. A majority of these auctions include insurance in the regular commission and handling charges although several make an additional charge. Other types of protection available to auction operators include insurance of buildings and equipment against loss from fire, wind, etc., workman's compensation, and public liability against injuries suffered by those in attendance.

An experiment to test the practicability of insuring livestock purchased at auctions against loss from death resulting from disease for six months after purchase was initiated by one insurance company during 1940. This type of insurance was offered to buyers of livestock at four Minnesota auctions. If it proves to be practicable, it will be extended to other auctions.

Lunch Facilities

All but four of the 36 auctions reporting had facilities for serving lunches on the auction premises. Many of these were prepared to serve complete meals, while others, particularly those located near business districts, limited this type of service to light lunches and, in some cases, to candy bars and soft drinks. Lunch facilities usually were operated by the auction management, although in a few cases they were leased to others.

Attendance at Sales

The average attendance per sale varied greatly among the different auctions. Of the 32 operators reporting, five estimated the average attendance at less than 200, 18 at between 200 and 399, seven at between 400 and 599, and two at over 600. The average attendance varied from 75 per sale at one auction to 800 at another, with an average of 290 for all auctions. There was also considerable seasonal variation in the attendance at each auction. Several operators reported an occasional attendance of 1,000 or more during the winter months. One operator reported a maximum attendance at a single sale of 2,400.

Public Regulation of Auction Markets

Animal Health and Sanitation

The problem of disease control is of vital importance to all livestock producers. Healthy animals may become infected by coming in contact with diseased animals at local assembly points or after arriving at the market place. They may also become infected in rail cars, motor trucks, or pens that have not been properly cleaned and disinfected after they have been occupied by diseased animals. The moving of animals naturally lowers their resistance to disease and predisposes them to infection.

Minnesota has no statute dealing specifically with the sanitary regulation of community livestock auctions. However, the State Livestock Sanitary Board as provided by statute, Section 5396, Mason's Minnesota Statutes, 1927, has adopted rules and regulations governing community livestock and other sales for the protection of the health of domestic animals within the state.

The Secretary and Executive Officer of the State Livestock Sanitary Board, therefore, is given general supervision of animal health and sanitation at all places where livestock is assembled for sale for purposes other than immediate slaughter except at public stockyards markets which are already under Federal supervision.

Community livestock auctions were placed under the general supervision of the Secretary of the State Livestock Sanitary Board in 1935. The direct supervision of each of these markets is delegated by the Secretary to a local or nearby veterinarian who must be on the premises each day a sale is held

to inspect and examine all livestock offered for sale.

Regulations state it is the duty of the local veterinary inspector: (1) to prohibit the sale of any animals that show symptoms of infectious communicable diseases (except cattle with lumpy jaw, which may be sold for slaughter under either a federal or local veterinarian's inspection); (2) to examine and approve or reject health certificates on all animals consigned for sale; (3) to vaccinate hogs, make tuberculin tests and agglutination blood tests for Bang's disease of cattle, and issue quarantines when necessary as required by state law or by regulations of the State Livestock Sanitary Board; and (4) to supervise the cleaning and disinfection of the sales pavilions, yards, pens, and premises.

Two field representatives are employed by the State Livestock Sanitary Board to supervise the work of the local veterinary inspectors and to see that the rules and regulations of the Board are enforced. These men occasionally visit the auction markets on sale days to make certain that the local veterinary inspector is present and that he is properly performing his duties. The representatives pass on the fitness of the premises for the purpose of holding sales before a permit is granted and as long as it remains in force. They also have access to the records of the auction management for the purpose of tracing back the origin of animals sold through the sales which may later have been responsible for an outbreak of infectious disease. A complete, permanent record of the consignor and purchaser of each individual lot of livestock sold



FIG. 18. LOCAL VETERINARY INSPECTOR EXAMINING A STEER HAVING SYMPTOMS OF LUMPY JAW

must be kept by the auction management for this purpose.

Other rules and regulations⁵ governing the sale of livestock at community auctions include the following:

1. Condition of Auction Facilities.—

The auction facilities, including buildings, pens, and alleys, must be so constructed that they can be kept in a sanitary condition. The sale rings and alleys and the pens used for hogs and sheep must be paved.⁶

2. Health Regulations.—All animals consigned must be accompanied by a statement signed by the owner to the effect that they have not been exposed, within a period of 30 days prior to the date of the sale, to tuberculosis, Bang's disease, anthrax, scabies, glanders, hog cholera, swine erysipelas, infectious enteritis of swine, or any other communicable and infectious disease. No animals may be sold that originate from farms that are under official

quarantine because of exposure to such diseases. Livestock truckers must furnish similar statements from the owners of all livestock delivered to the auctions by them or from owners from whom they have purchased the livestock which they consign to auction sales. Truckers also must furnish health certificates for all livestock which originates from other states or from the public stockyards market at South St. Paul.

3. Vaccination of Hogs.—All hogs, except those sold for slaughter, are required to be vaccinated for hog cholera before they leave the auction premises unless they have been vaccinated at least 30 days prior to the sale.

A veterinarian's certificate or an affidavit signed by an owner holding a layman's permit must accompany consignments that have been previously vaccinated.

4. Dipping Sheep.—All sheep handled at Minnesota auctions must be dipped under the supervision of the authorized veterinarian at such sales for the prevention of scabies before removal from the auction premises, with the following exceptions: (a) sheep purchased for immediate slaughter; (b) sheep infected

⁵Minnesota Livestock Sanitary Board, "Rules and Regulations Governing the Sale of Livestock at Community and Other Sales," adopted April 26, 1940, and approved by the Attorney General May 11, 1940; and "Rules and Regulations for the Control of Scabies in the State of Minnesota," as amended April 26, 1940, and approved by the Attorney General May 11, 1940.

⁶This regulation was announced by the State Livestock Sanitary Board on May 11, 1940.

with scabies which must be branded, quarantined, and sold for immediate slaughter at points where Federal inspection is maintained; (c) sheep imported from other states that have been dipped within the previous 10 days; and (d) sheep sold when the temperature is below 20° F., provided they show no symptoms of scabies.

5. All Out-of-State Livestock consignments to Minnesota auctions must comply with the state law and with the rules and regulations of the State Livestock Sanitary Board governing such importations. These regulations include the following:

All livestock imported for feeding or breeding purposes must be accompanied by health certificates issued by accredited veterinarians. These certificates should include a description of the animals; a statement that they are free from symptoms of contagious, infectious, or communicable diseases; and a record of all tests, vaccinations, or dippings made as required by the State Livestock Sanitary Board. The specific regulations pertaining to inshipments of hogs and sheep are similar to those governing the local movement of such animals through auctions. Additional regulations, however, govern the importations of cattle.

All cattle, except those for immediate slaughter, must either be tuberculin tested at least 30 days prior to their entry or originate from tuberculosis-free accredited herds or negative herds not under quarantine in modified accredited tuberculosis-free areas. Similarly, all cattle imported for breeding purposes must either have a record of a satisfactory agglutination blood test for Bang's disease within 30 days prior to their entry or must originate from herds officially certified as being free from the disease.

Licensing and Bonding

Before a community livestock auction can be established an application for a permit must be filed with the Secretary and Executive Officer of the State Livestock Sanitary Board. Upon receipt of an application, the Secretary instructs one of his field representatives to make an inspection of the buildings and premises in which the sales are to be held and to report his findings. If the report is satisfactory, the applicant is required to file, with the State Livestock Sanitary Board, a surety bond of \$2,000,⁷ approved by the Attorney General of the state, following which a permit may be issued authorizing the applicant to conduct sales at the place named. The permit and bond remain in force for one year unless revoked. The Secretary and Executive Officer of the State Livestock Sanitary Board may revoke the permit whenever he finds that the auction management has violated the laws of the state or the rules and regulations of the State Livestock Sanitary Board governing the movement of livestock or pertaining to the control of livestock diseases. Any person or firm who suffers loss through failure of the management either to settle for the livestock sold or to comply with the rules and regulations of the State Livestock Sanitary Board may bring action at law on the bond to recover damages.⁸

Since 1854 Minnesota auctioneers, who conduct sales at which purebred or grade livestock are sold, have been required to obtain licenses and to furnish surety bonds of not less than \$1,000 nor more than \$3,000.⁹ Since 1895 they have been required to pay

⁷ This requirement has been in effect since 1937.

⁸ The Community Auction Market Exchange of Minnesota at its 1940 annual meeting passed a resolution recommending that the average amount of the bond should equal the average value of all livestock sold at a single sale.

⁹ Mason's Minnesota Statutes 7323.

an annual license fee of \$10 to their respective county auditor.¹⁰ This license authorizes the auctioneer to conduct sales in any part of the state.

Regulation of Weighing Facilities

Minnesota statutes require that all scales used in commercial transactions be tested before they are placed in operation and each year thereafter.¹¹ These tests are to be conducted by the Department of Weights and Measures of the State Railroad and Warehouse Commission at state expense. In making the inspection, 4,000 pounds of test weights are used at the center and at each corner of the scales. Scales having an error greater than one pound per 1,000 on the center or on any corner must be repaired or adjusted before they can be approved.

Although the statutes require annual inspection, the Department of Weights and Measures, because of insufficient appropriations, has been able to make the regular inspections only once in approximately four years.¹² Recognizing that such supervision is very inadequate, the Department has arranged to make additional tests in response to requests of the owners of weighing facilities at a charge of \$6.00 per inspection. Farmers or livestock buyers who question the accuracy of livestock auction scales or suspect fraudulent weighing practices are also entitled to request inspections. If upon such an inspection the scales are found to meet the requirements of the Department, the inspection charge must be paid by

the person or persons making the request; otherwise it must be paid by the owner of the scales.¹³ Any person who operates a false scale or employs fraudulent weighing practices is guilty of a misdemeanor and is subject to prosecution.¹⁴ Because accurate weights are essential in the determination of the value of livestock it is important that auction scales be tested at frequent intervals.

State Association

On January 24, 1937, the auction operators organized a state trade association under the name of the Community Auction Market Exchange of Minnesota. The principal objectives of the state association include the following: (1) to promote the auction market industry; (2) to promote equitable principles of trade; (3) to encourage uniformity in trade relations between the auction markets and their patrons; (4) to disseminate useful business information; (5) to adjust controversies between auction markets and their patrons; and (6) to encourage the cooperation of all auction markets in the formulation and execution of rules and regulations of the State Livestock Sanitary Board.

The state association holds regular annual meetings and occasional special meetings which are attended by the auction operators, their auctioneers, local veterinary inspectors, and others interested in the auction market development. Problems common to all auction markets and to the auction market industry are discussed at these meetings.

¹⁰ Mason's Minnesota Statutes 7322.

¹¹ Mason's Minnesota Statutes 5276.

¹² According to information supplied by the Department of Weights and Measures, October 22, 1940.

¹³ Mason's Minnesota Statutes 5282.

¹⁴ Mason's Minnesota Statutes 5278.

An Appraisal of Livestock Auctions

THE FUTURE trend in the number of livestock auctions in Minnesota and in the volume of business handled will depend upon the services rendered and the expenses involved in selling at auctions compared with marketing through alternative outlets. The number of active auctions increased steadily from 1932 to July 1940 when 52 auctions were in operation. The number declined to 45 active auctions at the close of 1940.

Sufficient time has not elapsed to justify final conclusions as to the future trend in numbers of livestock auctions. Marketing is dynamic, not static. It is probable that new developments or a reappraisal of current developments will lead to changes that cannot be foreseen at the present time.

Contributions of Auction Markets

The first step in an appraisal of auction markets is to evaluate the contributions they have made towards more efficient and more effective marketing. In those parts of Minnesota where auctions have been established, farmers had access to a number of different outlets before the auctions were organized. An increase in the number of outlets or the availability of new types of outlets is no assurance that net returns to farmers are increased. On the contrary, a duplication of services may have the opposite effect. To justify the organization of a new type of market in a community that has a number of outlets readily accessible, the new market must be prepared to offer services either more efficiently or more effectively than the existing outlets are offering.

Local Exchange of Feeder and Breeder Stock.—Community livestock auctions have provided services which are more efficient in the exchange of feeder and breeder animals between farmers in the communities served by auctions than other existing agencies or outlets. Individual farmers previously sold some of these animals to neighboring farmers. However, it was difficult to make satisfactory contacts with those who were in need of such stock. Relatively few local shipping associations attempted to develop local outlets for feeder and breeder stock. The extent of the local exchange of such animals, other than that which took place between individual farmers, therefore, depended largely upon the practices of local dealers. Some local dealers disposed of a considerable proportion of their local purchases of such animals to other farmers in the community, while others commonly shipped to public markets. Some of the animals that were consigned for sale at public markets were subsequently returned to the same localities in which they had been grown, or perhaps to adjacent communities. This roundabout method of exchange resulted in higher marketing expenses than local exchange because it involved transporting the animals over greater distances and because of the greater losses from death, crippling, and shrinkage. The auction market enabled farmers with small or large lots of feeder and breeder animals to bring their stock to the attention of a larger number of prospective local farmer buyers and at lower total marketing expense than was possible either through individual action or through other local agencies.



FIG. 19. A LOAD OF WESTERN FEEDER CATTLE BEING SOLD AT A MINNESOTA AUCTION MARKET

Source of Supplies of Western Feeder and Breeder Stock.

—Livestock auctions have served as effective agencies through which many Minnesota farmers have been supplied with feeder and breeder cattle and sheep from the western ranges. In the past farmers have purchased their western feeder stock either direct from western growers, at public stockyards, or through agents or dealers who purchased such stock from growers or at public markets. However, at local auctions the buyer may inspect such stock in his own community before he makes his purchases. Transportation costs are less and animals arrive in a thriftier condition when they are routed directly from origin to destination. These factors have tended to increase the movement of feeder and breeder animals through auction markets.

Source of Supplies of Other Stock.

—In like manner, auction markets have served as effective agencies for the transfer of dairy cows and of feeder and breeder animals from other surplus areas to farmers in the communities served by auctions. Some dealers specialize in purchasing dairy cows which are sold through auctions to farmers who are in need of replacements or who

wish to enlarge their dairy enterprise. Feed supplies vary from year to year, and this results in the movement of feeder and breeder animals from surplus to deficit areas. Some of these animals are marketed through auctions.

Market for Horses and Mules.

—Community auctions also have served as convenient markets for the sale of horses and mules. Sellers can bring their offerings to the attention of a larger number of buyers by selling through auctions than by selling by private treaty. Likewise, buyers can make their purchases at a minimum expense both in time and travel.

Outlets for Slaughter Stock.

—The effectiveness of an auction market as an outlet for slaughter stock depends upon a number of factors, the most important under Minnesota conditions being the volume handled and the disposition that is made of the animals after they are sold. Large volume is necessary to attract packer buyers who aim to buy full car or motor truck loads of reasonably uniform animals. When purchased by packers the animals are moved direct from the auction to the packing plant, so that the expenses of moving the animals from the auction to the

place of slaughter are held at a minimum. As slaughter animals comprised a relatively small proportion of the total receipts at most of the auctions included in this study, it is apparent that these markets have been of greater service to farmers in the exchange of feeder and breeder animals than in the disposal of slaughter stock.

Source of Market Information.—Community auctions have enabled local farmers to obtain useful market information. This applies more particularly to the larger auctions where many classes and grades of livestock are offered for sale. Farmers who cannot afford the time and expense involved in frequent trips to distant markets do attend local auctions and observe the different prices paid for animals of different weight, quality, and condition.

Criticisms of Auction Markets

The second step in an appraisal of auction markets is to ascertain the specific methods and practices which have not contributed toward more efficient marketing. Certain activities of a particular market may fail to increase the net returns to farmers because they merely duplicate services rendered by other agencies or markets. The usefulness of a market may also be limited by failure to adopt or to encourage the use of desirable practices or by failure to check or eliminate undesirable practices.

Duplication of Services.—Under conditions that exist in Minnesota, unnecessary expenses are incurred when livestock is sold through community auctions to dealers or others who consign their purchases for resale at public stockyards markets. In such cases, the marketing margin includes the expense of selling at the auction and the mar-

gin obtained by the local purchaser in addition to the expense of transporting and selling the animals at the public stockyards. This involves an unnecessary duplication of services.

Most Minnesota farmers who live in communities served by existing auction markets could consign their livestock, regardless of numbers, direct to public stockyards markets. This would eliminate both the expense of selling at the local auction and the margin obtained by the local purchaser.

Farmers in many communities also could consign their livestock for sale at public stockyards through local shipping associations. The expense involved in selling through the local association would be substituted for the margin obtained by those who purchase at auctions for resale at public markets. Sale direct to local dealers who consign to public markets also would eliminate the expense of selling at local auctions. In this event, the margin obtained by the local dealer may be the same as or more or less than that required to operate a local shipping association. From the available information, however, it appears that the number of livestock purchased at community auctions for resale at public stockyards is a relatively small proportion of the total volume sold at auction markets.

Traders and Dealers.—The activities of traders or dealers at auction markets may be harmful as well as beneficial to livestock producers. As has been explained, responsible dealers who purchase feeder and breeder cattle and sheep from the Western ranges, and those who purchase dairy cows or feeder and breeder animals in other surplus areas for sale at auctions, render a useful service to farmers. The activities of dealers as buyers at auc-

tions also tend to keep prices at one market in line with prices offered at other markets. On the other hand, dealers who buy livestock from local farmers for resale at nearby auctions render little or no economic service to farmers. The original owners could consign their own animals for sale at auctions without resorting to the dealer group.

In some cases farmers are injured by unscrupulous dealers who use the auction market as convenient centers for their trading activities. Unethical practices employed by this type of dealer may include, among others, by-bidding and misrepresentations of animals offered for sale. Where such practices have been prevalent they have discouraged farmer patronage and, in some cases, have been the principal cause of the ultimate failure of the market.

Weighing Facilities.—The absence of weighing facilities at a few auctions and failure to make more general use of scales at others have tended to reduce the effectiveness of some auctions as outlets for farmers' livestock. Sale by the head is the most primitive method of marketing meat animals. It involves an estimation of the weight as well as an appraisal of the quality and condition of the animals. Farmers who have occasion to weigh livestock only at infrequent intervals are at a disadvantage when dealing on a per head basis with others who devote their time to buying and selling. They are less skilled in estimating the weight of the animal and are not able to make satisfactory comparisons between prices paid at different markets.

Animal Health.—Auction markets frequently have been accused of being agencies through which contagious and

infectious diseases are spread from farm to farm. However, under conditions that prevail in Minnesota, it appears that much the same attention is given to safeguarding the health of animals sold at auctions as to safeguarding the health of those sold at other types of markets.

Effect on Quality of Breeding Stock.—

Livestock auctions frequently are criticized on the grounds that they tend to lower the quality of breeding stock on farms. This criticism is based upon the assumption that farmers are induced to buy a higher proportion of inferior breeding animals when they make their purchases at auctions than when they obtain their supplies from other sources. In other words, it is assumed that a higher proportion of low grade breeding animals would be sold for slaughter if local auction markets were not available.

While it is obvious that the transfer of breeding stock from farmer to farmer and from farmer to dealer to farmer has been facilitated by local auctions, it does not necessarily follow that the quality of the breeding stock purchased by farmers has been reduced thereby. It would appear that farmers who attend auctions and observe the variations in prices paid for animals that differ with respect to quality would be inclined to purchase, for breeding purposes, animals capable of producing the kind of stock that is in greatest demand.

Suggestions

Some community livestock auctions have served as effective agencies in the marketing of farm animals. Others have employed methods of operation or adopted or tolerated practices that have tended to limit their field of use-

fulness. As with all marketing agencies, the future of community auctions will depend upon the kind and amount of services rendered and the charges made for these services compared with the services rendered and charges made at other types of markets. Unsatisfactory methods and practices should be eliminated, and attention should be directed to the determination of ways and means by which livestock can be marketed more effectively. Suggestions for improving operating methods and practices include the following:

1. The wide variations in methods of assessing selling charges and in the charges made at auctions suggest the desirability of working towards greater uniformity. The rates should be as equitable as possible both from the standpoint of the management and of those who consign livestock for sale. The posted rates should be applied uniformly to all consignors.

2. The names of consignors should be posted on the pens occupied by their respective offerings, and the names of buyers should be announced in the ring as the various lots are sold.

3. Bye-bidding should be prohibited. Consignors may be protected against unsatisfactory prices by permitting them to refuse the sale as soon as announced by the auctioneer.

4. The practice, followed by some auction operators, of consigning livestock to their own sales or of buying animals in their own sale rings often leads to dissatisfaction. In general, this practice should be discouraged. Where it is followed, it is important

that the transaction be clearly understood by all in attendance.

5. All auctions should be equipped with scales, and the management should encourage the practice of selling all slaughter and feeder stock and most classes of breeding animals by weight rather than by the head. The scales should be tested at regular intervals.

6. Bonds required of auction operators should be changed from a uniform bond of \$2,000, as at present, to an amount more in accord with the value of the business handled at the individual auctions. It is suggested that the bond should equal the average gross proceeds of the individual sales held during the year or during a specified part of the year.

7. Rules and regulations of the State Livestock Sanitary Board should be rigidly enforced by the designated local veterinary inspectors. The auction operators should give their full support to all measures designed to protect the health of farm animals.

8. The desirability and practicability of pooling animals consigned by different owners so that they could be sorted and sold in large uniform lots should receive the attention of managers of the larger auctions. While this practice would introduce many different problems, it appears to have several important advantages. Packer buyers prefer to buy in large reasonably uniform lots. Many feeders also prefer to bid on a group of animals rather than to attempt to obtain the number desired from several small consignors.



Some
Auction
Sale Barns in
Minnesota

