August 16, 1958

To the Graduate Council:

I am submitting herewith a thesis written by Arnold Moore Stallings entitled "The Nature and Use of Livestock Marketing Information in Tennessee." I recommend that it be accepted for nine quarter hours of credit in partial fulfillment of the requirements for the degree of Master of Science, with a major in Agricultural Economics.

Marion B. Badenhop
Major Professor

We have read this thesis
and recommend its acceptance:

Lewis P. Copeland

Leland L. Scroggs

Charles L. Allard

J. J. Whatley

Accepted for the Council:

Dale Wantling
Dean of the Graduate School

z 8
33

THE NATURE AND USE OF LIVESTOCK MARKETING INFORMATION IN TENNESSEE

A THESIS

Submitted to
The Graduate Council
of
The University of Tennessee
in
Partial Fulfillment of the Requirements
for the degree of
Master of Science

---

by

Arnold Moore Stallings

August 1958

ACKNOWLEDGEMENTS

The writer expresses his sincere appreciation to those who made this study possible and who gave their time and effort to assist in preparation of this manuscript.

My sincere thanks go to Dr. M. B. Badenhop who supervised and directed this study and served as chairman of my thesis committee. His continued efforts to improve and assist in the preparation of this thesis are gratefully appreciated.

Contributions by other members of the thesis committee are also deeply appreciated. Dr. Claud Scroggs' continued encouragement and timely suggestions have been invaluable.

Appreciation is expressed to Dr. Charles Cleland and Dr. Lewis Copeland for reading and assisting in the preparation of the manuscript.

The writer also acknowledges the help and co-operation of the entire staff of the Department of Agricultural Economics and the Tennessee Agricultural Experiment Station.

400200

TABLE OF CONTENTS

CHAPTER		PAGE
I.	INTRODUCTION	1
	The function of market news	1
	Purpose and objectives	8
	Procedure	9
	Definitions	10
	Inventory of market news dissemination in Tennessee	12
II.	THE LIVESTOCK PRODUCER	16
	Selling practices	17
	Outlets	17
	Basis of sale	19
	Factors determining sales time	19
	Buying practices	21
	The livestock producer and market news	24
	Sources of information	24
	Outlook information	27
	How well can farmers use market reports?	31
	Producers must learn to grade animals	36
	Knowledge of grades necessary to understand market reports	37
III.	THE MEAT PACKER	39
	Buying practices	40
	Sources of livestock	40
	Basis of purchase	41

CHAPTER PAGE

III. (continued)

Selling practices 44

Distribution channels 44

Sales standards 46

Price change intervals 46

The meat packer and market information 47

Additional information desired 53

IV. THE LIVESTOCK PRODUCER AND HIS MARKETING ALTERNATIVES . . 58

Preferences for market outlets 59

Dislikes about market outlets 62

Daily and seasonal sales preference 67

V. EVALUATION OF THE NATURE AND USE OF LIVESTOCK MARKET NEWS IN TENNESSEE 71

BIBLIOGRAPHY 76

APPENDIX 78

LIST OF TABLES

TABLE PAGE

I. Total Number of Animals Sold and Per Cent Sold Through Different Market Outlets, 264 Tennessee Livestock Producers, 1956 18

II. Per Cent of Livestock Sold on Different Bases, 264 Tennessee Livestock Producers, 1956 20

III. Average Number of Livestock Purchased Per Farmer Purchasing Different Species and Class of Livestock from Different Sources, 264 Tennessee Livestock Producers, 1956 22

IV. Sources of Price Information 264 Tennessee Livestock Producers Were Familiar With, Received, and Used in Estimating Value of Livestock, 1956 25

V. Market Information Received Voluntarily or Requested by 264 Tennessee Livestock Producers from Different Sources and Influence of Such Information on Farmers' Livestock Marketing Practices, 1956 28

VI. Number and Per Cent of 264 Tennessee Livestock Producers Utilizing Annual Outlook Information in Livestock Programs, 1956 30

VII. Knowledge Rating of 264 Tennessee Livestock Producers Based on Replies to the Question, "What Do the Market Terms, Trade Was Moderately Active, and Demand Was Moderately Good, Mean to You?" 1956 33

TABLE PAGE

VIII. Estimates of Value Made by 264 Tennessee Livestock Producers Before Contacting Potential Buyers or Sending Livestock to Market, 1956 35

IX. Sources of Livestock Bought for Slaughter by Thirty Tennessee Meat Packers, 1956 42

X. Basis of Livestock Purchases by Thirty Tennessee Meat Packers, 1956 43

XI. Distribution of Kinds of Meat Sold by Thirty Tennessee Meat Packers, by Type of Buyer, 1956 45

XII. Average Time Intervals at Which Price Quotations for Various Kinds of Meat Were Changed by Thirty Tennessee Meat Packers, 1956 48

XIII. Number of Meat Packers Using Different Sources of Market Information in Determining Prices to Pay for Livestock, Thirty Tennessee Meat Packers, 1956 50

XIV. Number of Meat Packers Using Different Sources of Market Information in Determining Selling Prices for Meat Products, Thirty Tennessee Meat Packers, 1956 52

XV. Number of Meat Packers Desiring Additional Information in Deciding Prices to Pay for Livestock, Thirty Tennessee Meat Packers, 1956 54

XVI. Number of Meat Packers Desiring Additional Information in Deciding Selling Prices for Meat Products, Thirty Tennessee Meat Packers, 1956 55

TABLE PAGE

XVII. Price Information Thirty Tennessee Meat Packers Furnish or Would Be Willing to Furnish, 1956 56

XVIII. Reasons for Preferring Different Market Outlets as Rated by Tennessee Farmers, 1956 60

XIX. Tennessee Livestock Producers Using Different Market Outlets for Different Types of Livestock, 1956 63

XX. Reasons Given for Disliking Different Methods of Marketing Livestock as Rated by Tennessee Farmers, 1956 64

XXI. Suggested Methods for Improving Auction Market Outlets Made by Tennessee Livestock Producers Who Responded to the Request to Give Suggestions, 1956 66

XXII. Effect of Day of Week on Farmers' Market Preference, 175 Tennessee Farmers, 1956 68

XXIII. Effect of Season of Year on Farmers' Market Preference, 243 Tennessee Farmers, 1956 69

XXIV. Income Distribution by Farm Groups of 264 Tennessee Livestock Producers, 1956 79

XXV. Average Number of Livestock Per Farm Having Each Class of Livestock, by Income Groups, 264 Tennessee Livestock Farms, January 1, 1956 80

XXVI. Number of Farms and Average Distribution of Types of Farm Land by Farm Groups of 264 Tennessee Livestock Producers, 1956 81

XXVII. Number of Farms and Average Distribution of Types of Farm Land by Income Groups of 264 Tennessee Livestock Producers, 1956 82

CHAPTER I

INTRODUCTION

The Function of Market News

One of the most important problems the livestock producer faces is how he can market his livestock to get the greatest net returns. He cannot maximize returns unless he secures and properly utilizes adequate information about his marketing alternatives. The same is true for the meat packer. The meat packer seeks to maximize his net returns consistent with giving good service to his customers. The objective of securing maximum returns points to a need for accurate, adequate, and timely market information. There is also a need for a closer examination of the vital role played by market information in the marketing mechanism. Its role must be analyzed to assess the effect sufficient information, or lack of information, has on the marketing system.

Before the role of market news can be thoroughly understood, the concept of the market and its function in the economy should be defined. For analytical purposes of this study the theoretical concept of the "perfect market" is appropriate.

Shepherd defines the necessary conditions of a perfect market as a market where all buyers and sellers have perfect knowledge of demand, supply, and prices, and act rationally upon that knowledge.[1] This definition has

---

[1]Goeffrey S. Shepherd, Marketing Farm Products (Ames: Iowa State College Press, 1955), p. 18.

three elements involved: (1) a particular commodity, (2) a point in space, and (3) an instant of time. These three elements correspond with the orthodox division of utilities in economic theory into form, space, and time utilities, respectively.

However, without further defining, the three elements involved are relatively abstract concepts. The exact dimensions of the perfect market can be defined within a theoretical framework which specifies the price relationships necessary for prices to guide the distribution of a commodity.

In a perfect market the basic price of a particular commodity must be uniform. Price relationships of various forms of the commodity must be of such nature that the difference in price of any two forms is equal to the costs necessary to convert the product from one form to the other. If these price relationships exist, the net value of any given commodity will be equal in all economically feasible alternatives.

Prices for any product located on different parts of a geographical surface should have a direct relationship with the costs necessary to transport the product to a common point. In the situation where two sources of supply of the same product are located at uneven distances from the common market, the price paid in the farther supply area should be lower than the price in the nearer by the costs necessary to purchase the services required to move the product the distance separating the two sources of supply. Conversely, if the situation exists where two geographically different market places are not the same distance from a common supply point, the price differential will be the difference in cost necessary to purchase the services for transporting the product between the two market places.

Finally, prices for a product are related over time by the costs incurred by storing the product. To be perfect the seasonal variations in price should equal the storage costs up to that time. Hence, the dimensions of the market are defined within a theoretical framework, and even though in reality the market may be far from perfect, it can be analyzed using the perfect market model.

Economic theory traditionally seeks to analyze the workings of a market on the structure the particular market may possess. Although this market structure may take any one of many forms, theoretically the ideal concept is "perfect competition." This concept can be utilized in a framework of perfection. Perfect competition in the livestock industry, or any other industry, requires the fulfillment of five basic assumptions:[2]

(1) There are a great number of both buyers and sellers, no one of which is large enough to influence price through his action alone--any individual firm, whatever its nature, can sell all of its production at the market price and likewise the output of any given firm is such that it has no price and selling policy.

(2) Both buyers and sellers have perfect and equal knowledge of all the factors which affect market conditions. Also, they will utilize this information in an economically rational manner so as to maximize their own individual gain.

(3) There are no collusive or restrictive agreements among either buyers or sellers. In fact, there are so many buyers and sellers that

---

[2]Richard L. Kohls, Marketing Agricultural Products (New York: The Macmillan Company, 1955), p. 100.

coalition by any relatively large group of them would be administratively infeasible.

(4) There is no product differentiation. This does not mean there are no differences in quality. However, products of like quality will not be differentiated by brand name, advertising, extra services, etc.

(5) The factors of production are perfectly mobile and free to leave one industry to enter another in which they could secure greater returns. That is, no barriers to the flow of capital, labor, and management exists.

Assuming that a free competitive marketing system is desirable, how does information affect this market? Sumner Slichter in his book, Modern Economic Society, says,

> Upon a myriad of decisions concerning what to buy and what to sell, and at what prices to buy or at what prices to sell, made by millions of individuals, depends the working of the economic order. If these decisions are made wisely and on the basis of reasonably complete and accurate information, the system of free private enterprise may work fairly well. But naturally, the operation of the system cannot be better than the decisions of those who determine what it does. If these decisions are made by men who are ignorant of the relevant facts or who do not know how to interpret them, we must expect industry to act as if it were guided by ignorant men. . . . It is of basic importance, therefore, in improving the operation of free private enterprise, to make accurate and comprehensive market information constantly and easily available to all buyers and sellers. Not until this is done, not until it is possible for individuals to buy and sell intelligently, can we expect free private enterprise to work satisfactorily--as if it were directed by men of good judgment.[3]

Market news is concerned with the second condition of perfect competition: that both buyers and sellers have perfect and equal knowledge of

---

[3]Sumner Slichter, Modern Economic Society (New York: Henry Holt and Company, 1931), pp. 853-854.

all the factors which affect the market and that they act in an economically rational manner with respect to this knowledge. Adequate information supplies the knowledge which the buyers and sellers have regarding supply, demand and prices. It cannot guarantee that these buyers and sellers will act rationally after they receive the information, but the more perfect the knowledge the closer these individuals can approach this ideal. This is not to say that if adequate information were available the ideal would be reached, particularly when it is defined in Shepherd's three-fold specification, but merely points to the fact that as more information is secured the closer the market will move to the "perfect state."

Moving from the perfect market model to the market as it exists in the economy, the role of market information is basically the same. There are several basic requirements to be met if the marketing job is to be performed effectively.[4] First, all buyers and sellers must be equally and adequately informed. This is necessary if we are to put our trust in competitively established prices as our measure of economic value. Market information must be collected and disseminated to all if this requirement is to be fulfilled.

Second, there must be honesty in market dealing, for without honesty the system is encumbered and its results distorted. Information that is available to everyone will eliminate any and all attempts to deceive and the marketing system will better distribute the returns for the good produced. Otherwise, either the producer suffers through reduced returns or

---

[4]Kenneth H. McCallister, "The Role of Market News in Marketing and Some Problems," Journal of Farm Economics, 32:958-959, November, 1950.

the consumer through higher prices.

Third, there must be prompt, intelligent responses to changing market conditions. This is necessary if prices for individual commodities are to be kept in line with changing supplies and market demand; if available supplies are to be so distributed among the consuming centers as to bring the greatest return; and if there is to be coordination in pricing among all levels of trading: at the farm, at wholesale, and at retail.

Within this third basic requirement of an effective marketing mechanism lies the most important aspect of market information. The quantities of individual agricultural products that move to market vary much more than do the quantities of manufactured goods; therefore, a greater burden and responsibility is placed on the marketing mechanism to clear up gluts promptly and adjust to supply deficiencies. Market news assists producers and shippers to locate quickly the most advantageous places to sell, and it aids buyers in discovering the best localities in which to buy. Moreover, if our marketing system is to be effective in promptly reflecting values and guiding distribution, the price adjustments required by changing supply and demand conditions must be made as nearly simultaneously as possible at all levels of trading--at the farm, at wholesale, and at the retail level.

As information about the market situation becomes more complete, the market will become more efficient. Although one of the essentials of the perfect market is the prevalence of a uniform price for the basic commodity, this situation can exist and the market still not operate at its optimum. For instance, the theory of the perfect market states that the price of the commodity be differentiated only by the added costs of trans-

porting, processing, and storing. However, the costs involved in marketing may not be uniform for all firms operating in the merchandising of a particular product. Theoretically, operating under the perfect concept, those firms with high costs must be driven out in the long run. This may create a problem by eliminating another of our perfect requirements: that of many firms being present. Market news provides a way to help solve this problem. Complete and accurate reports, equally available to all, will stabilize production costs within a range that could be affected only by economies of scale.

Information about the marketing situation--particularly when used in connection with recognized grades--reduces the amount of physical handling and time required to move many of the farm products from farm into consumption. It does this by facilitating trading between buyers and sellers located at distant points. Such trading avoids the alternative costs of moving farm products to some central point of concentration in order that buyers and sellers, or their hired representatives, may meet together, higgle over prices, and then engage in the process of redistributing the products. Under most conditions, it is much cheaper to transmit the necessary information needed in trading than it is to bring the commodities and all the buyers and sellers together.

If all buyers and sellers have equal information, competition will be on an efficiency or performance basis (assuming the individuals involved are capable of, and act rationally with respect to the information), rather than on a price basis, and the multi-firm, uniform price concept of the model of perfection will come closer to being realized.

Purpose and Objectives

The total livestock industry is made up of several parts. The livestock are produced on the farm and sold to the meat packer for processing into the various cuts. Once this is done the processor must either sell to a wholesaler or act in this capacity himself. From the wholesaler the meat goes to the retailer and eventually the consumer. The entire marketing system of livestock can, therefore, be constructed in five levels: the producer, the processor, the wholesaler, the retailer, and the consumer. These levels are tied together by numerous alternative marketing channels.

Market news is not static in nature, nor is it localized to any one level of the marketing process. It must, if it is to be of greatest value, cover all levels of the process; from production to consumption. This particular study does not attempt to analyze market information at all levels of the marketing process for livestock and livestock products. Rather, it is confined to the producer and meat packer levels, with the place of specific producer market outlets taken into consideration as a factor which links these two important levels of the marketing mechanism together.

The specific objectives of the study are:

(1) To determine the amount and nature of livestock marketing information available in Tennessee.

(2) To determine to what extent the parties involved use existing information.

(3) To determine which market outlets are preferred and ordinarily used by the livestock producer and meat packer.

(4) To establish reasons why these particular outlets are preferred.

(5) To determine bases upon which livestock marketing information might be improved.

Procedure

Formal research procedure requires working assumptions to be proven or rejected by the research data. For analytical purposes the basic objectives of this study can be transformed into working assumptions. Thus transformed, these assumptions can be stated:

(1) The amount and nature of livestock marketing information available in the state is inadequate.

(2) The parties involved do not make full use of existing information.

(3) The marketing outlets formerly preferred are no longer as important as they were.

(4) Convenience and inter-market price relations have caused shifts in market preference.

(5) Opportunities are available to improve livestock marketing information.

To test these assumptions data were collected as a part of a Southern Regional study from selected livestock producers and meat packers throughout the state.[5] A total of 264 producers were interviewed from well defined

---

[5]This study is part of a regional plan of livestock marketing research in which a number of Southern States and the Agricultural Marketing Service, United States Department of Agriculture are cooperating. Each state conducted its research program; however, there was joint planning

areas stratified within fifteen selected counties by statistical sampling techniques. The sample was a random, stratified sample prepared and contributed to the Tennessee Agricultural Experiment Station by the North Carolina Institute of Statistics. Counties sampled included Carroll, Obion, and Henry in West Tennessee; Putnam, Overton, Jackson, Smith, Wilson, Rutherford, Lincoln, and Lawrence in Middle Tennessee; and Sevier, Greene, Cocke, and Blount in East Tennessee (Figure 1).

Data were also collected by personal interview from thirty meat packers representing all parts of the state as well as various sizes of operations. The sample included seven federally inspected packers located in five major cities; fifteen non-federally inspected packers slaughtering over two million pounds liveweight annually, located in eleven different cities; and eight non-federally inspected packers slaughtering less than two million pounds liveweight annually, located in seven different cities. The total sample has eight packers in West Tennessee, twelve in Middle Tennessee, and ten in East Tennessee.

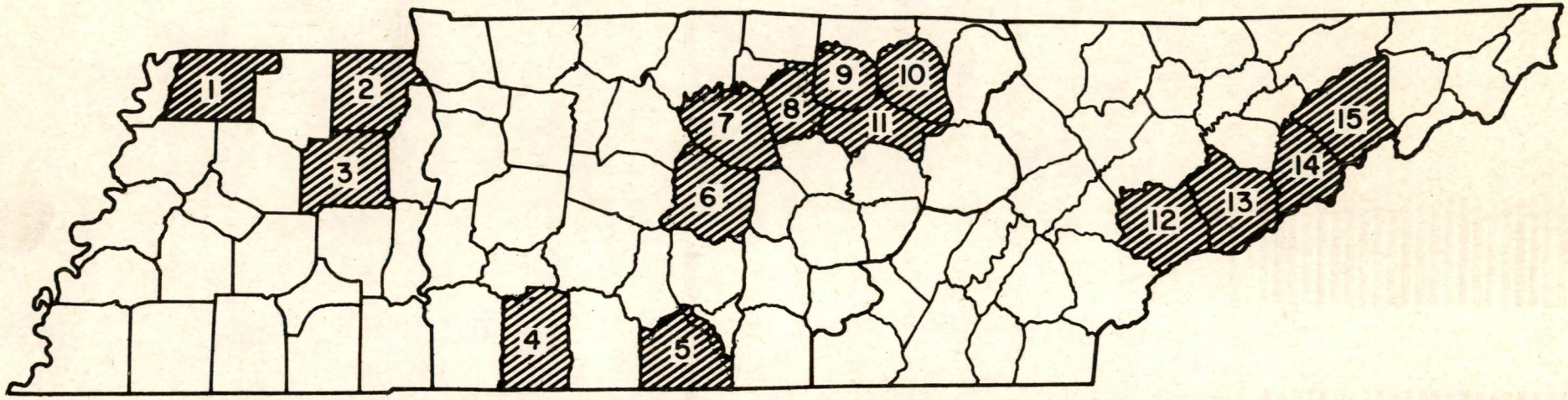
The analysis includes buying and selling practices of both producers and packers, taking into consideration such factors as volume of livestock handled, outlets used for the commodity marketed, and the type and amount of information available, used and desired.

Definitions

Before any particular subject is analyzed or discussed the exact

---

and coordination of the research through a regional technical committee representing each of the participating states and agencies. This thesis presents the results of research conducted by Tennessee and unless otherwise stated, all analysis is based on complete sample size: 264 livestock producers and thirty meat packers.



Counties

1. Obion	9. Jackson
2. Henry	10. Overton
3. Carroll	11. Putnam
4. Lawrence	12. Blount
5. Lincoln	13. Sevier
6. Rutherford	14. Cocke
7. Wilson	15. Greene
8. Smith	

Figure 1. Location of the fifteen counties in the livestock producer sample, 1956.

terminology used should be well defined. This helps organize the material in a more presentable form, and aids in following the analysis.

Producer: Any farmer who operates a farm in the sampled area and marketed a total of ten or more head of livestock during the previous year.

Processor (meat packer): Defined in this thesis according to three criteria: (1) Federally inspected plants, (2) non-federally inspected plants handling over two million pounds liveweight of livestock annually, and (3) non-federally inspected plants handling less than two million pounds liveweight but more than three hundred thousand pounds liveweight annually.

Market outlet: For analytical purposes all market outlets used by livestock producers in the state have been grouped into four classifications: auctions, terminals, direct to packers, and country sales.

Inventory of Market News Dissemination in Tennessee[6]

Most market information available in the state is obtained through the Federal Market News Service, either directly or indirectly. For the United States federal reporters in December of 1956 provided information on market receipts, supplies, market conditions, and prices at which livestock were sold from thirty-five public livestock markets. These reports included two direct marketing areas, six wholesale meat centers, and the national wool trade.

Federal livestock news coverage in Tennessee consists of two reporting offices, one in Nashville (established in 1930) and one in Memphis

---

[6]M. B. Badenhop, "Livestock Market News Services in Tennessee" (Unpublished data, Department of Agricultural Economics, The University of Tennessee, 1956).

(established in 1948). Nashville is recognized as the more important reporting center of the two for Tennessee farmers. Reporters collect the information on these two markets from buyers and sellers while trading is in progress. In evaluating this information and in reporting existing market conditions, the market news reporter uses the standard grades for livestock adopted by the United States Department of Agriculture as the basis for reporting. Once the information is collected and edited, it is disseminated by means of leased wire, press associations, radio, newspaper, telegraph, mailed report, bulletin board, telephone, personal contact, and other methods of news releases. Of these media the three most important in Tennessee are wire, radio, and newspaper.

Wire

Both Nashville and Memphis have teletypewriters for receiving and transmitting market news information over the leased wire service of the United States Department of Agriculture. By means of teletype and telephone these two market news offices send the livestock market reports to Western Union, which then transmits the information to packers, buyers, farmers, bankers, commercial papers, and others on a subscription basis.

Radio

Although the leased wire system is used extensively by a majority of the meat packers in the state, it is beyond the reach of most livestock producers. Some other means has to be used, one of which is the radio. There are eighty-nine radio stations in the state. In a survey of these stations made in October 1956 by the United States Department of Agricul-

ture, 70 per cent responded to mailed questionnaires. Of those that responded, 89 per cent reported broadcasting some livestock market news.

This survey also showed that most radio stations broadcast market news some time between 11:00 a.m. and 1:00 p.m., Monday through Friday, and that market news information on the Nashville market is by far the most widely disseminated in the state. Over 43 per cent of the stations surveyed reported carrying market news from that area while only 11 per cent were carrying Memphis market news. Fifty per cent of the stations reported broadcasting either the Nashville, Memphis, or both livestock market news reports. Market reports from other areas also are important to the livestock industry in Tennessee and are broadcast to some extent by some radio stations. The most desired market reports outside the state are those for Chicago, St. Louis, and Cincinnati. Reports from Louisville, Atlanta, and Montgomery are also broadcast.

Newspaper

Another major source of market news for Tennessee livestock producers is the newspapers. Newspapers, however, do not offer as timely information as radio, but they serve as a reference for radio reports and are generally more complete. Several markets are usually reported in the metropolitan daily papers as they are received from teletype, generally from United Press or Associated Press, and are exactly as those the experienced market news reporter compiled.

There are 155 newspapers published in Tennessee, of which six are daily morning papers and twenty-two daily afternoon papers. The others are either published weekly or twice weekly. Of these, all the morning dailies

and 45 per cent of the afternoon dailies carried livestock market information in 1956. Little livestock market news was disseminated through the weeklies. Only occasionally were local auction sale results or market conditions mentioned, and this generally did not follow an organized pattern of reporting.

Other Media

Other methods of disseminating Federal Livestock Market News, such as telephone calls, personal contacts and mailed reports, are important to certain individuals and groups in the livestock industry. Although not as important as radio, newspaper, and wire, these services are available to those who request them.

In addition to reports of the Market News Service, livestock producers and processors in the state also have available releases about marketing conditions provided by the state statistician. These bulletins are generally in the form of outlook information and usually follow a seasonal pattern with respect to time of release. Included in these releases are such things as the number of livestock on farms, numbers of related commodities, acres in given crops, and prices; all of which provide valuable information to the livestock man in making long-run managerial decisions for production and marketing.

Distribution of livestock market news is also practiced by some private agencies. Included in these are farm magazines and publications by non-government news services. These are usually of outlook nature and find their value when used in making long-run decisions.

CHAPTER II

THE LIVESTOCK PRODUCER

Livestock production is one of Tennessee's most important farm industries. In 1956 there were one and eight-tenths million cattle and calves, one and two-tenths million hogs and three hundred thousand sheep and lambs on Tennessee farms.[1] The total value of the livestock enterprise was estimated at one hundred forty-eight million dollars.[2] This production is of greatest value to the producers only when it is successfully distributed to those who are willing to pay for it. This successful distribution calls for a sound basis for making frequent and prompt decisions by the individuals involved. For the marketing system to operate at its optimum, market news must be complete and comprehensive enough to provide the basis for this decision making.

To be of value to the livestock producer, market information should be stated in terms consistent with his buying and selling habits. Information based on terminal market sales, for instance, is not the most desirable for the producer who sells direct to the meat packer. Nor is information on slaughter livestock the most beneficial for the producer who sells feeder animals. In order to determine the use currently being made of market news, these buying and selling practices were examined.

---

[1]U. S. Department of Agriculture, "Livestock Market News Statistics and Related Data, 1956," Statistical Bulletin No. 209 (Washington: U. S. Government Printing Office, June 1957), pp. 1-3.

[2]U. S. Department of Agriculture, Agricultural Statistics, 1956 (Washington: U. S. Government Printing Office, 1957), pp. 303, 319, 331.

Selling Practices

Outlets

Tennessee livestock producers sold their livestock primarily through auctions, packers, livestock dealers, terminal market facilities, and to other farmers in 1956 (Table I). Of these, the auctions were by far the most important market outlet for the 264 farmers interviewed. With the exception of hogs, more livestock moved through this outlet than any other. Practically all the slaughter calves, nine-tenths of the veal calves, two-thirds of the cows, bulls and stags, slightly less than two-thirds of the Good grade or better steers and heifers, one-half of the lower quality steers and heifers and slightly over one-half of the sheep and lambs were sold through auctions.

The second most important outlet was direct sales to meat packers and order buyers for packers. This was the most important outlet for the hog producers. Forty-three per cent of the finished hogs were sold direct to packers in 1956, compared to 41 per cent sold through auctions and 12 per cent through terminals. Packer outlets were also important to the producers of the better quality slaughter steers and heifers, with about one-fifth of this class of cattle being sold direct in 1956. Meat packers also bought 10 per cent of the sheep and lambs, 7 per cent of the cows, bulls and stags, 4 per cent of the veal calves and 2 per cent of the slaughter calves.

In regions of the state where the terminal facilities were available, the terminals offered an important outlet for some classes of livestock. Approximately one-fourth of the sheep and lambs, one-eighth of the

TABLE I

TOTAL NUMBER OF ANIMALS SOLD AND PER CENT SOLD THROUGH DIFFERENT MARKET OUTLETS, 264 TENNESSEE LIVESTOCK PRODUCERS, 1956

Type of Livestock	Per Cent Sold Through: Auctions	Packers and Order Buyers for Packers	Terminals	Livestock Dealer	Other Farmers	Total Animals All Outlets
Steers and Heifers (Good grade or better)	61	20	13	5	1	421
Other Steers and Heifers	50	9	15	17	9	930
Cows, Bulls and Stags	68	7	4	8	12	594
Slaughter Calves	97	2	0	0	1	493
Veal Calves	90	4	2	1	3	1414
Hogs over 100 pounds	41	43	12	3	1	6688
Hogs under 100 pounds	19	0	0	14	67	793
Sheep and Lambs	58	10	24	7	1	1135

hogs, one-eighth of the steers and heifers of Good grade or better and one-eighth of the other steers and heifers were sold through the terminal markets. Other farmers and livestock dealers also provided important market outlets for some types of livestock, particularly for feeder pigs under one hundred pounds. Other farmers purchased 67 per cent and livestock dealers 14 per cent of the feeder pigs sold by the 264 producers.

Basis of Sale

Almost all of the slaughter livestock were sold on a liveweight basis (Table II). Pigs under 100 pounds were the only notable exception. Eighty per cent of these were sold by the head, mostly to dealers and other farmers. Slaughter livestock sold on a liveweight basis ranged from 67 per cent for cows, bulls and stags to 95 per cent for finished hogs. A small percentage of the livestock were sold on a liveweight and grade basis: fourteen per cent of the steers and heifers of Good grade or better, 16 per cent of the lambs, 5 per cent of the lower quality steers and heifers, 5 per cent of the cows, bulls and stags, and 2 per cent each of veal calves and finished hogs.

Factors Determining Sales Time

In order to select their most profitable marketing alternative farmers must have adequate market information. Yet, in response to questions designed to determine what factors affect the time producers sell their livestock, only one-fourth of them indicated that they watched the market closely and sold when they thought market conditions were best. Sixty-five per cent of the farmers said they sold livestock when they thought the animals were ready to be marketed. Emergency sales, caused

TABLE II

PER CENT OF LIVESTOCK SOLD ON DIFFERENT BASES,
264 TENNESSEE LIVESTOCK PRODUCERS, 1956

Basis of Sale	Species of Livestock							
	Steers and Heifers, Good or Better Grade	Other Steers and Heifers	Cows, Bulls and Stags	Slaughter Calves	Veal Calves	Hogs over 100 pounds	Hogs under 100 pounds	Sheep and Lambs
Head	2	13	28	7	21	3	80	2
Liveweight	84	82	67	93	77	95	20	82
Liveweight and Grade	14	5	5	0	2	2	0	16
Total	100	100	100	100	100	100	100	100

by exhausted feed supplies or need for cash, were not important factors entering the farmers' decisions to sell their livestock in 1956.

Experience has shown that livestock producers enhance their bargaining position if they obtain competitive bids from several buyers before selling their livestock. Farmers, however, did not generally follow this practice. Of those interviewed, 88 per cent received only one bid. The 12 per cent who received alternative bids obtained an average of three and seven-tenths appraisals before selling. Dealers furnished 50 per cent of these, meat packers and farmers 40 per cent, and auctions and terminals the remaining 10 per cent.

Buying Practices

Three sources were used for purchasing breeding stock and feeder animals: (1) other farmers, (2) auctions, and (3) livestock dealers (Table III). The most important source of cattle breeding stock was other farmers, followed by auctions and livestock dealers. Sixty-two per cent of the cattle purchased for breeding purposes were bought from other farmers, 33 per cent from auctions and the remaining 5 per cent from dealers. Size of purchases from these outlets, however, was in reverse order. The average purchase per farmer purchasing breeding cattle from livestock dealers was six animals, from auctions four animals and from other farmers four animals.

Auctions were the most important source of feeder cattle, with 42 per cent of the animals coming from this source compared to 41 per cent from other farmers and 17 per cent from livestock dealers. Average size of purchases from dealers was again larger than from the other two sources.

TABLE III

AVERAGE NUMBER OF LIVESTOCK PURCHASED PER FARMER PURCHASING DIFFERENT SPECIES AND CIASS OF LIVESTOCK FROM DIFFERENT SOURCES, 264 TENNESSEE LIVESTOCK PRODUCERS, 1956

	Cattle and Calves				Hogs				Sheep and Lambs	
	Breeding Stock		Feeders		Breeding Stock		Feeders		Breeding Stock	
Source	Average Number Purchased Per Farmer Purchasing	Per Cent	Average Number Purchased Per Farmer Purchasing	Per Cent	Average Number Purchased Per Farmer Purchasing	Per Cent	Average Number Purchased Per Farmer Purchasing	Per Cent	Average Number Purchased Per Farmer Purchasing	Per Cent
Other Farmers	3.8	62	16.3	41	3.3	100	20.8	78	7.6	56
Auctions	4.4	33	13.6	42	0	0	24.6	22	8.5	15
Livestock Dealers	5.5	5	28.3	17	0	0	0	0	17.5	29

Average number of feeder cattle purchased by the farmers purchasing feeders from dealers was twenty-eight animals, compared to sixteen from other farmers and fourteen from auctions.

Other farmers were the most important source of hogs, both breeding stock and feeder pigs. One hundred per cent of the hogs purchased for breeding stock by the producers came from this source. Average number purchased per farmer purchasing hogs was three animals. Approximately three-fourths of the feeder pigs purchased came from other farmers and approximately one-fourth from auctions. Average number of animals purchased per farmer purchasing feeder pigs from auctions was twenty-five and from other farmers twenty-one.

Slightly over one-half of the sheep breeding stock were purchased from other farmers. Compared to this, 29 per cent were purchased from livestock dealers and 15 per cent came from auctions. Average number bought per farmer purchasing breeding stock from dealers was seventeen animals, from auctions nine animals, and from other farmers eight animals. There were no reported purchases of feeder lambs by any of the 264 livestock producers.

Evidence indicated that farmers did not shop for the best bargain to any great extent in buying livestock. About 5 per cent indicated they made offers to purchase other than the one involving the transaction that took place. About two-thirds of the offers made by this group were to other farmers and about one-fifth were bids at auctions.

Instead of bargaining for the best buy when purchasing livestock, farmers tended to buy: (1) when they saw livestock they wanted, (2) had the money available for purchasing, (3) had the feed available to justify

the purchase, or (4) when they "thought" the market was right. Approximately one-third of the farmers indicated that they bought when they saw livestock which appealed to them. One-fifth based their purchases on when they thought market conditions were best and one-fifth on the availability of cash and feed supplies. The remainder, 25 per cent, purchased for various other reasons, such as needed replacement stock and for speculative purposes.

The Livestock Producer and Market News

Whether the commodity is crops or livestock, whether communication is by newspaper, farm magazine, telephone or mail, each individual in the market needs information on price, supply, demand and general market conditions if he is to have orderly marketing plans. To the extent that market information is properly used, the flow of supplies of livestock from farm to markets should be orderly. To the extent that such information is not available or not properly used, the individuals operating in the market risk delay, waste and other inefficiencies. For orderly marketing the producer must know what to expect in the way of supplies coming to market when he is ready to sell his livestock. He must know what is likely to happen to production costs while his livestock are maturing and when the best time will be for him to sell. Once the product is ready for sale he must know which outlet will offer him the most profitable alternative.

Sources of Information

Tennessee livestock producers were familiar with several sources furnishing market information in 1956 (Table IV). The three most important

TABLE IV

SOURCES OF PRICE INFORMATION 264 TENNESSEE LIVESTOCK PRODUCERS WERE FAMILIAR WITH, RECEIVED, AND USED IN ESTIMATING VALUE OF LIVESTOCK, 1956

Source of Information	Producers Familiar With Information		Producers Receiving Information		Producers Using Information in Estimating Value of Livestock	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
Radio	212	80	201	76	191	73
Daily Newspaper	196	74	177	67	151	57
Farm Magazines	152	58	127	48	40	15
Television	44	17	38	14	26	10
Weekly Newspaper	12	4	10	4	5	2
Mimeographed Reports	9	3	8	3	3	1
Auction Market Reports	6	2	5	2	3	1
Terminal Market Reports	4	2	4	2	4	2
Other Reports	15	5	1	*	1	*

*Less than 1 per cent.

ones were radios, newspapers, and farm magazines. Of the 264 producers interviewed, 212, or 80 per cent, were familiar with radio market reports. However, only 201, or 76 per cent, indicated that they received information through radio. One hundred ninety-one of these producers, or 73 per cent, actually used this information in estimating the price for their livestock.

Newspapers followed radio closely as a source of information. Farmers familiar with the market reports in newspapers numbered 196, or 74 per cent of the total. Of these, 177, or 67 per cent, received newspaper information, and only 151, or 57 per cent, actually used the newspaper reports to estimate the price they would receive for their livestock.

Farm magazines ranked third in importance. Information disseminated by this medium is more of a short-run trend or outlook nature. A typical farm magazine report forecasts what to expect in the month ahead and frequently offers advice as to the classes, grades, and weights of livestock that should be sold now or held back and sold later. About 58 per cent of the producers were familiar with market information in farm magazines, however, only 48 per cent indicated they received any information from the magazines. Even though a large number of producers were familiar with this source of information, magazines apparently were not considered very valuable in determining the value of their livestock. Only forty producers, or 15 per cent, actually used market information in farm magazines as a basis for estimating the price they expected to receive.

Table IV also lists several minor sources of livestock market news. The most important of these is television. Although there are no organized livestock market reports televised at present in Tennessee, some of the

Middle and West Tennessee stations sometimes include a brief market summary with other newscasts. About 10 per cent of the farmers indicated these telecasts were sometimes taken into consideration when they tried to estimate the value of their livestock. Local weekly newspapers, mimeographed reports, terminal market reports, and auction market reports followed television in that order as media sometimes used by Tennessee farmers.

Livestock producers also obtained information on market conditions direct from persons connected with the market outlets. This information was not part of any formal market report. Rather, it was timely information the producer desired and obtained through his own initiative. About 13 per cent of the producers requested information from packers, livestock dealers, auction employees, commission men, and truckers. Frequently market information was volunteered by these agencies (Table V). In most cases the information was given verbally in answer to direct questions by the producer. Information furnished by the trade people was quite valuable to those who received it for use in making decisions about when to buy or sell, where to buy or sell, and what price to pay or accept. Of those who obtained information from this source, about three-fourths used it in making decisions.

Outlook Information

Market information is more than the condensed summaries of the receipts and prices at any given market quoted on the financial pages of daily newspapers or broadcast over the radio. A market news organization that works smoothly and perfectly must provide sufficient information for farmers to use in planning their livestock program. The livestock producers'

TABLE V

MARKET INFORMATION RECEIVED VOLUNTARILY OR REQUESTED BY 264 TENNESSEE LIVESTOCK PRODUCERS FROM DIFFERENT SOURCES AND INFLUENCE OF SUCH INFORMATION ON FARMERS' LIVESTOCK MARKETING PRACTICES, 1956

Source	Number of Farmers Requesting Information	Number of Farmers Receiving Information in Written Form	Number of Farmers Receiving Information in Verbal Form	Influence of Information on Farmers		
				When to Buy or Sell	Where to Buy or Sell	What Price to Pay or Accept
Packer or Packer Buyer	5	0	12	10	7	9
Livestock Dealer	3	2	13	10	5	10
Auction Market	3	1	4	2	2	4
Terminal Market or Commission Man	2	0	2	1	0	2
Local Livestock Marketing Co-op	1	0	2	1	0	2
Trucker	11	3	16	10	9	12
Others	10	1	25	18	19	18

first marketing decision comes when he has to decide when to breed his animals or when to start his animals in the feed lot, because these factors determine within rather narrow limits when the animals will be ready to sell. Farm papers, newsletters, and outlook reports should tell the farmer what to expect in price trends, marketing and production costs and offer advice on timing of purchases and sales. Thus, a May issue of a farm publication may advise Tennessee farmers to breed beef cows this month in order to top the feeder-calf market in October of the following year.

To meet the need of the long-run planning requirements, farm magazines, agencies of the U. S. Department of Agriculture and various private agencies maintain a continuous service of bringing together and analyzing market information from many sources. Crop and livestock estimates, market news, information based on farm management and marketing research studies all contribute to basic outlook information. Related data on business conditions, industrial employment and wages, and international developments are brought together periodically in the form of comprehensive situation reports which help farmers, processors and handlers in making decisions.

Responses by producers interviewed to questions on outlook information indicated that Tennessee livestock farmers were not making full use of this material. Nearly three-fifths of the farmers producing all types of livestock did not receive outlook information. Approximately 59 per cent of the hog producers received no outlook information. Of the 41 per cent who did, 8 per cent reduced the size of their hog enterprise, 5 per cent expanded their enterprise, 1 per cent dropped hogs from their livestock program and 27 per cent made no change (Table VI).

TABLE VI

NUMBER AND PER CENT OF 264 TENNESSEE LIVESTOCK PRODUCERS UTILIZING ANNUAL OUTLOOK INFORMATION IN LIVESTOCK PROGRAMS, 1956

Utilization	Class and Species of Livestock					
	Hogs		Cattle and Calves		Sheep and Lambs	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
Reduced Enterprise	20	8	16	6	2	1
Expanded Enterprise	13	5	33	13	5	2
Dropped Enterprise	3	1	3	1	2	1
No Change in Enterprise	71	27	61	23	89	34
Did Not Receive Outlook Information	156	59	151	57	166	62

One-fifth of the cattle producers changed their program as a result of various outlook reports in 1956. On the basis of these reports, 6 per cent reduced their enterprise, 13 per cent expanded and 1 per cent discontinued cattle production. Another 23 per cent made no change in their cattle enterprise. Fifty-seven per cent did not obtain outlook information.

Only 4 per cent of the sheep producers made changes as a result of outlook information. Thirty-four per cent indicated that they received some information but made no change and 62 per cent did not receive any outlook reports.

The most popular source of formal outlook information was from farm magazines. Sixteen per cent of the farmers said this source was the most timely and accurate information available for their outlook needs. Another 8 per cent obtained outlook information from their county agent. Less than one per cent used the official U. S. Department of Agriculture releases or relied on information from University personnel. Close questioning of the farmers indicated that many producers relied on informal sources such as neighbors or livestock dealers to predict future market conditions.

How Well Can Farmers Use Market Reports?

One of the major uses of current market reports is to provide a basis for estimating what price a farmer's own livestock will bring at alternative markets. For a farmer to use such information effectively, he must be able to interpret the report accurately and apply it to the animals he has ready to sell. This involves a knowledge of grades and grading since market prices are usually reported according to official grades.

Farmers in the sample were asked to tell how they judged the grade of their livestock. Five possible choices of answers were listed: appearance, rely on opinions of others, how the animals were fed, pay no attention to grade, and cannot judge. Over three-fourths of the farmers in the sample indicated that they graded their livestock by appearance. However, appearance is a logical answer to such a question, and does not indicate definitely that the farmer, even though he gave that answer, was familiar with the official U.S.D.A. grades. Further questioning by the enumerator usually disclosed that what a large number of farmers meant by appearance was fatness or degree of finish, particularly in relation to other animals in the lot. There usually was no attempt to associate a specific official grade with the animals. Five per cent of the farmers judged the grade of their livestock by relying on opinions of other people. Another 10 per cent indicated that either they paid no attention to grade or could not judge the grade of their livestock.

This study further shows that many terms used to describe market conditions are not well understood by livestock producers. When the 264 livestock producers were rated on their knowledge about the descriptive market terms, "Trade was moderately active" and "Demand was moderately good," only 20 per cent were considered well informed (Table VII). Six per cent were considered as having no knowledge and 74 per cent as having limited knowledge of the descriptive terms' meaning.

To further test the ability of livestock producers to use a market report, each producer in the sample was asked to assume he had received a market report that quoted Good and Low Choice slaughter steers as ranging from $15.75 to $18.40 per hundredweight, and Good and Choice stocker and

TABLE VII

KNOWLEDGE RATING OF 264 TENNESSEE LIVESTOCK PRODUCERS BASED ON REPLIES TO THE QUESTION, "WHAT DO THE MARKET TERMS, TRADE WAS MODERATELY ACTIVE, AND DEMAND WAS MODERATELY GOOD, MEAN TO YOU?" 1956

Knowledge Rating	Number of Replies	Per Cent
No Knowledge	16	6
Limited Knowledge	196	74
Informed	52	20

feeder steers at $15.75 to $18.40 per hundredweight. The farmers were then asked what they thought the price of an average Good grade slaughter steer would be and what they thought it would cost them to buy a Choice stocker or feeder steer. The prices quoted by farmers for the average Good slaughter steer ranged from $14.00 to $22.50 per hundredweight. Any price that fell between $16.50 and $17.00 per hundredweight was considered correct. Approximately 26 per cent of the livestock producers quoted prices within this range. Forty-eight per cent quoted prices that were above the high price of the allowed range and 17 per cent below the low price of the allowed range. The remainder, 9 per cent, said they were unable to determine price.

In the case of the Choice feeder steer, any price that fell between $17.90 and $18.40 per hundredweight was considered correct. The prices quoted by farmers ranged from $15.00 to $21.50 per hundredweight. Thirty per cent of the producers quoted prices that were within the allowed price range. Five per cent quoted prices that were below the low price of the allowed range. The same farmers who were unable to determine the price of the average Good slaughter steer were also unable to determine the price of the Choice feeder steer.

Livestock producers in the sample were also tested on how well they thought they knew the market. Each farmer was asked how close an estimate of the value of his hogs, cattle, and calves he had before contacting potential buyers or sending livestock to market (Table VIII). Approximately two-thirds of the hog producers thought they could estimate the value of their animals within $1.00 per hundredweight before contacting buyers. Another 29 per cent thought they could get fairly close, within

TABLE VIII

ESTIMATES OF VALUE MADE BY 264 TENNESSEE LIVESTOCK PRODUCERS BEFORE CONTACTING POTENTIAL BUYERS OR SENDING LIVESTOCK TO MARKET, 1956

Estimate	Hogs		Cattle and Calves	
	Number	Per Cent	Number	Per Cent
Very Close (less than $1.00 per cwt.)	148	68	111	43
Fairly Close ($1.00 to $2.00 per cwt.)	61	29	122	48
Rough Estimate ($2.00 to $3.00 per cwt.)	3	2	16	7
Vague Estimate (over $3.00 per cwt.)	2	1	5	2

$1.00 to $2.00 per hundredweight, and 3 per cent had a rough or vague estimate of $2.00 to $3.00 or more per hundredweight.

Cattle and calf producers were not as accurate as the hog producers. Only 43 per cent believed they could get within $1.00 per hundredweight and 48 per cent thought they could estimate within the $1.00 to $2.00 range. The remainder, 9 per cent, could not get within $2.00 per hundredweight when they judged their own ability to estimate value.

Producers Must Learn To Grade Animals

In order for farmers to understand and use market reports effectively, they must have a knowledge of grade standards, market terminology and the ability to apply grades to their own livestock. Teaching farmers about grades and grading is an educational problem which probably can be met by educational and service agencies presently working with farmers. Agricultural colleges, the agricultural extension services, vocational agricultural departments, farm organizations and county livestock associations can provide the leadership and educational programs needed to give farmers a better understanding of livestock marketing. These agencies should hold grading schools and realistic grading demonstrations where farmers can be informed of grading terminology and procedure and their application to animals. These schools and demonstrations could be held at college campuses, branch experiment stations, centrally located livestock markets and other places convenient to groups of producers. While fat stock shows and similar exhibitions have educational value, they do not serve the need for information on grades and grading.

Vocational agriculture teachers in high schools can contribute by

including grading procedure in the regular instructional programs for both high school and adult classes. County livestock associations can assist by impressing upon their members the importance of being able to judge the grade and value of their livestock. An effort should be made by organization leaders to encourage groups of farmers to attend grading schools and demonstrations.

Knowledge of Grades Necessary to Understand Market Reports

An important aspect of teaching farmers and others to grade livestock is to emphasize the uses that can be made of the knowledge of grades and the ability to grade accurately. One important benefit of such knowledge is the effective use of market reports and other information in making decisions as to when and where to buy and sell, what price to pay or accept and how to plan for the future.

A program of instruction in livestock grading and in the use of market information could be greatly strengthened by providing farmers with better sources of information. There is a need for periodic information of a short-time outlook type to guide farmers in production and marketing decisions. A report of this type, possibly in the form of a weekly, bi-weekly, or monthly newsletter, would be similar to reports in farm magazines or those issued by professional farm information services. Its main difference from these reports would be that national, regional and state livestock market conditions would be interpreted in terms of the Tennessee situation and specific guides provided the Tennessee producer. This report, in addition to supplying Tennessee farmers with market information, would serve other purposes. It could be used as an aid in teaching grades to

farmers by inclusion of photographs of graded animals and making repeated references to grades and grade characteristics. Condensed versions of the material could be distributed to the local newspapers and radio stations which have no other satisfactory means of receiving market reports.

CHAPTER III

THE MEAT PACKER

The meat packing industry, selling ten and eight-tenths billion dollars worth of products in 1955, is one of the most important industries in the United States when measured in terms of sales volume. It ranks with the motor vehicle and steel industries as one of the three leading industries in the United States. The "raw material" necessary to keep this industry moving at peak efficiency is tremendous. During a normal year meat packers in this country slaughter twenty-five to thirty million cattle, seventy to eighty million hogs, and twelve to fifteen million sheep and lambs. Red meat production in 1955 in commercial plants reached an estimated high of twenty-five billion pounds.[1] Tennessee meat packers' share of this total amounted to one million cattle, one and one-half million hogs and fifty-four thousand sheep and lambs for an estimated value of one hundred and fifty million dollars.[2]

In an analysis of the nature and use of livestock market news, the meat packers must not be overlooked. Meat packers receive and utilize more market information than most livestock producers. Their knowledge of market conditions, however, is far from perfect. Individual packers are continuously trying to secure a better knowledge of the entire live-

---

[1]Stewart H. Fowler, The Marketing of Livestock and Meat (Danville: The Interstate Printers and Publishers, Inc., 1957), p. 59.

[2]U. S. Department of Agriculture, "Livestock Market News Statistics and Related Data, 1956," Statistical Bulletin No. 209 (Washington: U. S. Government Printing Office, 1957), p. 29.

stock market.

To some extent the meat packers are the price making unit for the entire livestock and meat industries. The prices they are willing to pay determine what the producer receives for his livestock and the wholesale prices the packers establish determine within narrow limits what the final retail price will be. The information on supply, demand and price which the packers have available form the basis upon which their buying and selling prices are set. Just how the packers secure and utilize market information, and what information they would be willing to contribute to market news reports is the subject of this chapter. To provide some insight into how Tennessee meat packers use market news, an examination of their buying and selling practices is necessary. Once these practices are understood, the importance of market news at the processing level of the livestock industry can be determined.

Buying Practices

Sources of Livestock

Tennessee meat packers use four primary sources of supply for the animals they slaughter: the auction markets, the terminal markets, direct sales from farmers, and direct sales from dealers. From these four market supply sources must come the information for current market news reports on price, demand and supply. At the present time practically all the information for these reports is based upon only one of these supply sources, namely, the terminal market outlets at Nashville and Memphis. One of the hypothesis of this study was that market news is inadequate to arrive at

equitable prices for purchasing livestock. Data in Table IX support this hypothesis. While practically all reports on live animal prices and supplies are based on terminal outlets, only sheep and lambs show more than 50 per cent of the total volume moving through the terminal markets. Approximately one-half of the cattle, one-third of the calves, and one-third of the hogs are sold through the terminal facilities. The remainder are purchased from the numerous auctions located throughout the state and by direct sales from farmers and livestock dealers.

Basis of Purchase

Another factor to consider in analyzing the meat packers' role in using market news is the basis on which their purchases of livestock for slaughter are made. Based on the sample of thirty packers, the liveweight basis for pricing is by far the most important method used (Table X). The data show that 91 per cent of all steers and heifers of all grades, 94 per cent of all hogs and 100 per cent of all cows, bulls, stags, veal, and slaughter calves were purchased on a liveweight basis. The remaining small per cent of livestock was purchased on some form of quality basis. From 7 to 9 per cent of all steers and heifers and 6 per cent of all slaughter hogs were purchased on a liveweight and grade basis. Two per cent of the Good grade or better steers and heifers were purchased on a carcass grade and liveweight basis.

Most of the thirty meat packers preferred to buy on a liveweight basis when it comes to pricing livestock. Of the twenty-nine packers that slaughtered cattle, 86 per cent preferred to buy cattle and calves on a liveweight basis, 7 per cent on a carcass grade and liveweight, 3.5 per cent

TABLE IX

SOURCES OF LIVESTOCK BOUGHT FOR SLAUGHTER BY THIRTY TENNESSEE MEAT PACKERS, 1956

Species and Class of Livestock	Per Cent Within the South				Per Cent Outside the South
	Organized Markets		Direct Sales		
	Auction	Terminal	Farmers	Dealers	
Fed Steers and Heifers	28	50	18	3	1
Cows, Bulls and Stags	34	45	20	1	0
Slaughter Calves	42	33	25	*	0
Hogs	35	32	25	4	4
Sheep and Lambs	10	80	10	*	0

*Less than one per cent.

TABLE X

BASIS OF LIVESTOCK PURCHASES BY THIRTY TENNESSEE MEAT PACKERS, 1956

Basis	Per Cent											
	Steers and Heifers of Good Grade or Better		Other Steers and Heifers		Cows, Bulls and Stags		Slaughter Calves		Veal Calves		Hogs Over 100 Pounds	
	Used	Preferred	Used	Preferred	Used	Preferred	Used	Preferred	Used	Preferred	Used	Preferred
By the Head	*	0	*	0	*	0	*	0	*	0	*	0
Liveweight	91	86	91	86	100	86	100	86	100	86	94	83
Liveweight and Grade	7	3.5	9	3.5	0	3.5	0	3.5	0	3.5	6	6.5
Carcass Grade and Liveweight	2	7	0	7	0	7	0	7	0	7	0	6.5
Carcass Grade and Carcass Weight	*	3.5	0	3.5	0	3.5	0	3.5	0	3.5	0	4

*Less than one per cent.

on liveweight and grade, and 3.5 per cent on a carcass grade and carcass weight basis. Eighty-three per cent of the packers preferred to buy hogs on a liveweight basis, 6.5 per cent on liveweight and grade, 6.5 per cent on carcass grade and liveweight, and 4 per cent on a carcass grade and carcass weight basis.

Selling Practices

Distribution Channels

Tennessee meat packers sell their meat products through three important outlets: (1) the independent retailers, (2) the chain store warehouses, and (3) the service institutions such as restaurants, hospitals, and hotels (Table XI). Of these three the independent retailers are the most important. Approximately one-half of the carcass and wholesale cuts of beef, veal, pork, and slightly over one-half of the sausage products and three-fourths of the lamb and mutton carcasses and cuts are sold through this channel.

Chain store warehouses were the second most important sales outlet for the packers. During 1956, 21 per cent of the beef, 23 per cent of the veal, 22 per cent of the pork, 13 per cent of the lamb and mutton, and 20 per cent of the sausage products were sold through these outlets. The service institutions purchased slightly less than the chains: 14 per cent of the beef, 20 per cent of the veal, 17 per cent of the pork, 14 per cent of the sausage products, and less than one per cent of the lamb and mutton. The remaining cuts and carcasses were sold to various other buyers, such as small wholesalers and other packers. These other outlets were not very important in terms of total volume, because 81 to 90 per cent of all meat

TABLE XI

DISTRIBUTION OF KINDS OF MEAT SOLD BY THIRTY TENNESSEE MEAT PACKERS, BY TYPE OF BUYER, 1956

Species, Class and Form	Per Cent			
	Independent Retailers	Chain Warehouses	Service Institutions[a]	Other
Beef, Carcass and Wholesale Cuts	46	21	14	19
Veal, Carcass and Wholesale Cuts	47	23	20	10
Pork, Carcass and Wholesale Cuts	50	22	17	11
Lamb and Mutton, Carcass and Wholesale Cuts	75	13	0	12
Sausage Products	53	20	14	13

[a]Includes restaurants, hotels, hospitals, etc.

processed by these thirty packers was sold through the three most important channels.

Sales Standards

Although only seven of the thirty meat packers were federally inspected plants, the largest percentage of the total volume of the meat was sold on the basis of federal grades. Sixty-two per cent of the beef sold was graded according to federal standards, 19 per cent according to state standards, 15 per cent according to standards established by a private brand, and 4 per cent was sold ungraded.

Slightly more of the veal was marketed on non-federal standards. Twenty-five per cent of the veal was sold under a private brand, 20 per cent on state standards, and 55 per cent on federal standards. Eighty-nine per cent of the lamb and mutton sold was federally graded, and the remainder was marketed according to state standards.

Price Change Intervals

The intervals at which meat packers change their price quotations for processed meats is an important selling practice of any individual firm's market structure. This is particularly important when market news is used as the basis for deciding what the price quotation to prospective buyers should be. Because prices often change rapidly, timeliness is of utmost importance in news reports. When the news report is lagging behind the price change, its usefulness is impaired.

A serious consideration of the meat packing industry is the lack of control over its supply. Livestock comes to market in a fluctuating stream that varies from day to day, season to season, and year to year.

This constant expansion and contraction of supply necessitates adaptations in plant operations, labor requirements, financing, and price adjustments. The packer has a difficult job in establishing a price on most of his products because of fluctuating receipts and sales. Furthermore, the highly perishable nature of the red meats demand that they be sold within a few days after slaughter.

As a result of these supply and demand fluctuations, prices for the different cuts of red meat are subject to frequent changes. Many packers adjust their prices daily. Of the thirty packers interviewed, seventeen changed beef price quotations daily; four, twice per week; and seven, once per week. Pork quotations changed even faster. Quotations on loins, bacons, and hams were changed daily by nearly two-thirds of the packers and twice per week or weekly by the others (Table XII).

Good and Choice lamb carcass price changed more slowly, probably because of a more steady demand. Eleven packers changed lamb carcass prices daily, two twice per week, and two weekly. Some of the smaller packers did not change price quotations as often as once a week, but most of these have a well established market for their product.

The Meat Packer and Market Information

An adequate, accurate, and timely supply of market information is necessary in a competitive market where individual firms are trying to improve their market position relative to competitors. The operations of the meat packing industry are sensitive to the fluctuation of the livestock and meat markets and the packers must have unbiased reports as a decision making

TABLE XII

AVERAGE TIME INTERVALS AT WHICH PRICE QUOTATIONS FOR VARIOUS KINDS OF MEAT WERE CHANGED BY THIRTY TENNESSEE MEAT PACKERS, 1956

Cuts of Meat	Daily		Two Times Per Week		Weekly	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
Two Top Grades of Carcass Beef	17	57	4	13	7	23
Pork Loins	20	67	4	13	5	17
Sliced Bacon	19	63	5	17	5	17
12-14 Pound Smoked, Skinned Hams	18	60	4	13	4	13
Good and Choice Lamb Carcasses	11	37	2	7	2	7

basis if they are to compete successfully. The packers must know the supply that can be expected to come to given markets, what its quality will be and when it will arrive. They must know what price to pay the producer for his livestock, what the consumer demand is, and what price these consumers are willing to pay.

All meat packers interviewed relied on some type of formal market news release to aid them in determining the price at which they bought and sold livestock and meat. Many of the larger packers used several sources. Data on the thirty packers indicated that the eight smaller retail packing houses, or those who slaughter less than two million pounds liveweight annually, used an average of three sources of market news in determining buying prices and two sources in determining selling prices. The fifteen wholesale packing houses, or those slaughtering over two million pounds liveweight annually, used an average of four market news sources to arrive at purchase prices and three to arrive at sale prices. The seven federally inspected packers used an average of four market news sources to establish both buying and selling prices.

The most frequently used information on buying price was obtained from the daily National Provisioner's mailed report (Table XIII). In 1956 twenty-one of the thirty meat packers used this source in determining purchase prices for cattle and calves. The National Provisioner's mailed report was used by nineteen of the packers who slaughtered hogs and seven of the packers slaughtering sheep and lambs.

The next most used source of buying information was the National Provisioner's daily wire. This medium is probably the source of market information most used by the larger packers. Fifteen packers received a

TABLE XIII

NUMBER OF MEAT PACKERS USING DIFFERENT SOURCES OF MARKET INFORMATION IN DETERMINING PRICES TO PAY FOR LIVESTOCK, THIRTY TENNESSEE MEAT PACKERS, 1956

Source	Species			
	Cattle	Calves	Hogs	Sheep and Lambs
Drovers Journal	1	1	1	1
National Provisioner				
Weekly	4	4	4	2
Daily Mail	21	21	19	7
Daily Wire	15	15	17	6
New York Dressed Meat Price Report (USDA)				
Newspaper	2	2	2	0
Wire	2	2	2	0
Chicago Dressed Meat Price Report (USDA)				
Newspaper	3	3	5	2
Wire	7	7	7	2
Prepaid Wire from Other Market News Offices				
Chicago	4	4	4	2
St. Louis	7	7	6	3
Memphis	4	4	5	2
Nashville	11	10	11	6
Local Auctions	4	5	4	2
Radio	2	1	2	1
USDA Reports	3	3	1	0
Others	3	3	5	1

daily wire report from the National Provisioner on cattle and calves, seventeen on hogs and six on sheep and lambs. Reports by wire from terminal market news offices in Chicago, St. Louis, Nashville, and Memphis were also important to Tennessee packers. In addition to these, several of the larger packers received and used both newspaper and wire reports on the New York and Chicago dressed meat prices for establishing their purchasing prices.

Local auction prices, radio, and USDA reports had limited use among the packers. These sources, particularly local auctions, were used by many of the smaller packers who had localized markets and purchased all their livestock from the local area.

The packers' selling prices for meat products were based primarily upon information from the same sources as buying prices. The National Provisioner's daily mailed report was again used by more packers than any other source. However, the wire services are still important media for the larger packers. Approximately one-half of the thirty packers received a daily wire from some source, either from the National Provisioner, USDA dressed meat price reports from Chicago, and/or direct from other market news offices in Chicago, St. Louis, Memphis, Nashville, Omaha, and Milwaukee (Table XIV).

Local market demand and supply conditions were also considered in determining prices for processed meats. The smaller packers with a localized market rely more on local market conditions than the larger slaughterers. Many local packers base selling prices on a cost-plus basis rather than on demand and supply conditions in their local market. These packers add processing costs to the costs of the live animals plus a margin for profit to determine their selling price. Although most of the packers in this group

TABLE XIV

NUMBER OF MEAT PACKERS USING DIFFERENT SOURCES OF MARKET INFORMATION IN DETERMINING SELLING PRICES FOR MEAT PRODUCTS, THIRTY TENNESSEE MEAT PACKERS, 1956

Source	Meat Product				
	Beef	Veal	Pork	Lamb and Mutton	Sausage Products
Drovers Journal	1	1	1	1	1
National Provisioner					
Weekly	4	4	5	4	4
Daily Mail	16	16	17	11	16
Daily Wire	15	14	17	8	15
New York Dressed Meat Price Report (USDA)					
Newspaper	1	1	1	1	1
Chicago Dressed Meat Price Report (USDA)					
Newspaper	4	4	4	1	4
Wire	6	6	6	4	6
Prepaid Wires from Other Market News Offices					
Chicago	2	2	2	2	2
St. Louis	4	4	4	2	3
Memphis	2	2	2	1	2
Nashville	7	7	7	7	7
Omaha	1	1	1	0	1
Milwaukee	1	1	1	0	1
Local Markets	5	5	5	5	5
Others[a]	18	17	17	16	18

[a]Others includes a large number of the smaller packers who base their selling price on a given amount of profit above costs.

receive some information from the news releases, their prices often were based upon the cost-plus factor rather than conditions in the meat market.

Additional Information Desired

Approximately two-thirds of the thirty packers indicated a desire for more information on which to base their pricing policy (Tables XV and XVI). Most packers feel that information on prices paid by competing packers on both liveweight and carcass weight bases would be most helpful. Others would like to have a combined report on wholesale meat prices and receipts at local packing houses. These factors indicate that a large number of the packers believe that the information they now receive is inadequate to provide a basis for formulating accurate buying and selling prices.

Most of this desired information is of the type that packers themselves must furnish. The current livestock marketing trends of a more integrated marketing system that moves products and live animals direct from one level of the industry to another require more of this type information. At present there is practically no information in the news releases that comes directly from the packers. Less than a third of the packers interviewed furnished information for market reports and this information was very limited in scope (Table XVII). Such information was usually released by the smaller packers in local areas who announced their buying prices for livestock through local radio programs. None of the packers released any information on selling prices for wholesale meats. Several packers, however, indicated a willingness to release some market information on both buying and selling prices. However, news in these releases would be general in nature, and since most packers change their prices

TABLE XV

NUMBER OF MEAT PACKERS DESIRING ADDITIONAL INFORMATION IN DECIDING PRICES TO PAY FOR LIVESTOCK, THIRTY TENNESSEE MEAT PACKERS, 1956

Type of Information Desired	Species			
	Cattle	Calves	Hogs	Sheep and Lambs
Prices Paid by Other Packers, Liveweight Basis	19	19	21	8
Prices Paid by Other Packers, Carcass Weight Basis	16	16	17	7
Wholesale Meat Prices	6	6	7	1
Receipts at Local Packing Plants	4	3	3	2
More Accurate Quotations	1	0	2	0
Others	1	1	2	0

TABLE XVI

NUMBER OF MEAT PACKERS DESIRING ADDITIONAL INFORMATION IN DECIDING SELLING PRICES FOR MEAT PRODUCTS, THIRTY TENNESSEE MEAT PACKERS, 1956

Type of Information	Meat Product				
	Beef	Veal	Pork	Lamb and Mutton	Sausage Products
Prices Paid by Other Packers, Liveweight Basis	17	17	18	14	16
Prices Paid by Other Packers, Carcass Weight Basis	15	15	16	11	15
Wholesale Meat Prices	3	3	4	2	2
Receipts at Local Packing Plants	4	4	5	4	4
Others	2	2	3	1	2

TABLE XVII

PRICE INFORMATION THIRTY TENNESSEE MEAT PACKERS FURNISH OR WOULD BE WILLING TO FURNISH, 1956

Item	Packers Furnishing Price Information		Packers Willing to Furnish Price Information	
	Number	Per Cent	Number	Per Cent
Liveweight				
Cattle	10	33	24	80
Calves	10	33	24	80
Hogs	11	37	25	83
Wholesale Cuts				
Beef	0	0	23	77
Pork	0	0	24	80
Sausage Products	0	0	24	80

frequently, such releases would not likely be as accurate and timely as desired.

As livestock markets become more decentralized and integrated, the role of the meat packer in supplying market news and information will become increasingly important. The sources through which packers buy, such as direct sales and auctions will need more coverage. The quality factor, as evidenced by a small percentage of livestock being bought on a graded basis, will demand more exacting reports from market news sources. The information meat packers use individually and are willing to release for public reports will need to be a part of the information available to the entire marketing system--from producer to consumer.

CHAPTER IV

THE LIVESTOCK PRODUCER AND HIS MARKETING ALTERNATIVES

The livestock producer is confronted with the decision of selecting the most desirable market available when he sells and buys livestock. The market that was the most advantageous the last time he bought or sold may not necessarily be the best one the next time he buys or sells. Technological developments that have taken place during the last quarter century have resulted in producers having to pay more attention to markets available in order to select the best one. After World War I, new developments in transportation and communications began to reduce the advantages that were once derived from the concentration of livestock at the large terminal markets. Foremost among these developments were the improvement in motor trucks, the vast expansion of hard-surfaced highways throughout the country, and the increasing use of radio, telegraph, and telephone. Trucks and paved highways spread the livestock market over the entire production area. Radio, telegraph and telephone disseminated market news to the decentralized market. As a result, the public market system began to be disrupted by the growth of packing plants within production areas and by the increasing popularity of livestock auction markets.

Consistent with these changing market conditions livestock producers were asked why they preferred the market outlets they are currently using. Questions were designed to determine whether producers patronize a particular market outlet because they are informed about its advantages or whether they are ignorant of the alternatives available. Of primary importance was the question of whether shifting price relationships among alternative

markets were considered important by producers or whether producers look for intangible factors such as convenience and competition when choosing a market. Questions were also asked to determine whether the level of market information received was sufficient to choose the best market.

Preferences for Market Outlets

To find out preferences for market outlets, livestock producers were asked to give their reasons why they sold their livestock direct to meat packers, auctions, terminal facilities, and country sales. Reasons given were then classified into seven basic reasons: (1) convenience, (2) competition, (3) ready market available, (4) grading, (5) better prices, (6) faster transactions, and (7) friends' influence (Table XVIII). Each farmer was asked to give three reasons why he thought a particular market outlet was best. Of the responses, the two most important were convenience, which was given as the most important reason by 41 per cent of the producers, and better prices which was given as most important by 32 per cent of the producers. A quick ready market accounted for 12 per cent of the reasons given as the most important and competition accounted for 9 per cent. Other reasons such as grading, faster transactions and friends connected with a particular outlet were of minor importance and together accounted for 6 per cent of the reasons given as most important. The second and third reasons given also indicated that convenience and price were the two most important factors considered in selecting a market outlet. However, since most producers had already listed these two by the time they named a third reason, the minor reasons such as competition and friends became more important in this group.

TABLE XVIII

REASONS FOR PREFERRING DIFFERENT MARKET OUTLETS AS RATED BY TENNESSEE FARMERS, 1956

Rating	Convenience	Better Prices	Ready Market	Competition	Grading	Faster Transaction	Friends	Total
	Number of Reasons							
First Stated								
Packers	10	19	6	0	0	3	0	38
Auctions	110	50	30	31	3	2	2	228
Country Sales	36	36	8	2	4	4	4	94
Terminals	1	17	1	2	1	0	0	22
Total	157	122	45	35	8	9	6	382
Per Cent	41	32	12	9	2	3	1	100
Second Stated								
Packers	12	8	6	0	0	7	1	34
Auctions	38	54	45	35	6	5	2	185
Country Sales	17	25	4	2	0	5	2	51
Terminals	1	5	3	5	4	1	0	19
Total	68	92	58	42	10	18	5	289
Per Cent	24	31	20	15	3	5	2	100
Third Stated								
Packers	1	1	1	0	0	0	3	6
Auctions	19	5	17	22	0	1	5	69
Country Sales	1	2	0	1	0	0	0	4
Terminals	0	0	2	2	1	0	0	5
Total	21	8	20	25	1	1	8	84
Per Cent	25	10	24	29	1	1	10	100

Auctions were by far the most preferred market outlet by the farmers interviewed. Considering the two most important factors, convenience and price, 70 per cent of the producers considered auctions as being the most convenient and 41 per cent as offering the best prices. Auctions also received a larger percentage of the selections in the competition and quick ready market categories than did the other market outlets.

The most important factor market news is concerned with is price. Almost one-half of the livestock producers listed this factor as one of their most important reasons for selecting a market outlet. However, the question arises: "Do these producers really know if they are receiving the best price available?" Forty-one per cent said that the best price was at the auction market, 29 per cent preferred country sales for highest prices, 16 per cent voted for packers, and 14 per cent indicated that the terminal market was their best price alternative. Again noting that market news is based primarily on information from terminal outlets, only 14 per cent of the producers were willing to accept these quoted prices as their most profitable market outlet.

Further questioning about market outlet preference indicated that only one-fifth of the cattle and hog producers practiced selling consistently at a given market outlet. Less than one-fifth of the hog producers and 17 per cent of the cattle producers preferred one market outlet over another. The hog producers preferring a particular outlet were mostly farmers who sold feeder pigs at country sales. One farmer out of every eight selling cattle preferred to sell at auction, otherwise there were no notable market outlet preferences stated by cattle producers. In general, no preference was expressed as to what market outlet was best

for marketing stockers, feeders, and breeding stock (Table XIX).

Dislikes About Market Outlets

Livestock producers were also asked what they disliked most about the different market outlets. Six important factors were listed: (1) not enough competition, (2) inconsistent prices, (3) poor grading, (4) poor management, (5) inconvenience, and (6) high commission charges (Table XX). Inconsistent prices accounted for 38 per cent of the reasons named by farmers as their most important dislike. Compared to this, lack of competition accounted for 21 per cent of the reasons, poor grading 15 per cent and poor management 10 per cent. Inconvenience, high commission charges and numerous other reasons were also named by a few producers as dislikes of first importance. Inconsistent prices were also named most frequently as the second most important dislike. By the time most farmers named a third dislike, prices had already been given, and other factors such as poor grading, poor management and lack of competition began to become more important reasons for disliking given market outlets.

Auctions were rated by many of the farmers as having the most inconsistent prices. Of the farmers who indicated that inconsistent prices were their most important dislike, 56 per cent listed auctions as having the most inconsistent prices, 27 per cent listed country sales, 12 per cent listed packers, and 5 per cent listed the terminal markets. The second and third most important dislikes named by farmers also indicated that auctions have more marketing factors that need correction than do the other market outlets.

Once the dislikes had been listed, livestock producers were asked

TABLE XIX

TENNESSEE LIVESTOCK PRODUCERS USING DIFFERENT MARKET OUTLETS FOR DIFFERENT TYPES OF LIVESTOCK, 1956

Outlet	Livestock Purchased			Slaughter Livestock Sold		
	Stocker	Feeder	Breeder	Hogs	Cattle	Sheep
	Per Cent					
No Preference	97	93	97	81	83	98
Packer	1	1	0	6	1	0
Auction	1	4	1	1	12	0
Country Sales	1	1	2	8	2	2
Terminal	0	1	0	1	0	0
Others	0	0	0	3	2	0

TABLE XX

REASONS GIVEN FOR DISLIKING DIFFERENT METHODS OF MARKETING LIVESTOCK AS RATED BY TENNESSEE FARMERS, 1956

Rating	Inconsistent Prices	No Competition	Poor Grading	Poor Management	Inconvenient	High Commissions	Others	Total Reasons
	Number of Reasons							
First Stated								
Packers	15	9	6	2	1	0	1	34
Auctions	69	36	41	24	4	22	10	206
Country Sales	33	22	1	3	5	1	1	66
Terminal	6	0	0	3	10	1	0	20
Total	123	67	48	32	20	24	12	326
Per Cent	38	21	15	10	6	7	3	100
Second Stated								
Packers	9	5	0	0	2	0	0	16
Auctions	31	25	36	22	3	18	1	136
Country Sales	6	5	6	2	1	0	0	20
Terminal	5	0	3	0	1	0	0	9
Total	51	35	45	24	7	18	1	181
Per Cent	28	19	25	13	4	10	1	100
Third Stated								
Packers	0	0	0	0	0	0	0	0
Auctions	6	10	5	10	1	11	4	47
Country Sales	0	0	0	0	0	0	0	0
Terminal	0	0	0	1	0	0	0	1
Total	6	10	5	11	1	11	4	48
Per Cent	13	21	10	23	2	23	8	100

for suggestions as to how they thought the conditions they disliked about a particular market outlet might be corrected. From the answers of approximately ninety-two farmers who responded to this inquiry, five important changes for auctions were suggested (Table XXI). These changes were: (1) more buyers, (2) limited price variability in given sales for given grades, (3) better grading systems, (4) more government regulations, and (5) cooperative marketing arrangements. The most significant fact derived from the data is that not one producer voluntarily said that improved market news would correct his market dislikes. Inconsistent pricing was named as the major dislike of all outlets, yet the idea that more accurate and complete price reports on the producers' market outlet alternatives apparently was not incorporated in the individual's mind as being important in making marketing decisions.

This fact supports the general theory that market news is usually not interpreted correctly by farmers. Studies by the federal government and state agencies indicate quite clearly that the information which flows hourly from market places over market networks, radio, newspapers, television, and market bulletins is not fully understood.[1] This lack of effectiveness of market news at the farm level seems to be more than a mere failure of persons to hear market reports on radio, read them in newspapers, learn about them via market bulletins or otherwise. It is more than lack of exposure. It is a matter of how to interpret correctly and how to use this material in making marketing decisions.

---

[1]Gene Futrell, Ways to Improve Market News and Information (Ames: Iowa State College Press, 1955), p. 4.

TABLE XXI

SUGGESTED METHODS FOR IMPROVING AUCTION MARKET OUTLETS MADE BY TENNESSEE LIVESTOCK PRODUCERS WHO RESPONDED TO THE REQUEST TO GIVE SUGGESTIONS, 1956

Suggested Correction	Per Cent of Farmers Suggesting Each Correction for Auctions
More Buyers	22
Limited Price Variability	12
Better Grading	32
More Government Regulations	32
Co-ops	2

Once a producer had stated his dislikes about a particular outlet, he was asked if he would be willing to pay to have it corrected. Although most farmers stated their dislikes freely, only about one-fifth of those interviewed indicated any willingness to financially support corrective measures.

Daily and Seasonal Sales Preference

A large per cent of the volume of livestock sold each week on the larger markets is received during the first part of the week. As a result, market news reports on prices and supplies are more complete on these days. In an effort to determine why livestock producers actually sell most of their livestock during the first part of the week, each farmer interviewed was asked to state his preference for days of the week for selling livestock. The price received for the livestock was considered as the primary guiding factor for his answer. About one-fourth of the farmers stated a definite preference for the first part of the week. Approximately two-thirds indicated no daily preference. Included in this group are possibly those who prefer to sell during the early part of the week because of some reason other than price. Less than 10 per cent preferred either the middle or latter part of the week as selling days (Table XXII).

In an effort to determine whether price trends established by past experiences or by outlook reports had an effect on a preference for a particular month for marketing livestock, the farmers were asked whether the season of the year had any effect on their marketing plans. Slightly over one-half of the farmers indicated that they followed the normal seasonal price patterns for the class of livestock they were marketing (Table XXIII).

TABLE XXII

EFFECT OF DAY OF WEEK ON FARMERS' MARKET PREFERENCE, 175 TENNESSEE FARMERS, 1956

Preference for Time of Week	Per Cent
First of Week	25
Middle of Week	3
Last of Week	6
No Preference	66
Total	100

TABLE XXIII

EFFECT OF SEASON OF YEAR ON FARMERS' MARKET PREFERENCE
243 TENNESSEE FARMERS, 1956

Market Preference by Season of Year	Per Cent
Spring	28
Summer	4
Fall	2
Winter	2
Seasonal[a]	52
No Preference	12
Total	100

[a]Seasonal refers to marketing of livestock according to price trends based on past experience.

That is, they attempted to have their livestock ready for market during the season when the prices paid were the highest. Approximately 28 per cent said they preferred the spring season for sending their livestock to market. Another 12 per cent expressed no seasonal preference. Very few producers preferred the summer, fall or winter seasons. When questioned closely, these preferences were usually based on experience rather than on past trends established by market news collections or future predictions made through outlook releases.

Data presented indicate that to do a good job of marketing his livestock, the individual producer must have and utilize the facilities available. Facilities necessary for choosing the best market alternative are: (1) accurate and detailed market news with regard to livestock prices and receipts at all available points in the general market for livestock, (2) a uniform and relatively concise system of grades, with an accurate method of determining where the individual animals fall in that system of grades when the news reports are received, and (3) a thorough report and study of local markets and the packers' competitive practices in the decentralized markets as compared to practices at terminal markets.

CHAPTER V

EVALUATION OF THE NATURE AND USE OF LIVESTOCK MARKET NEWS IN TENNESSEE

The role of market news is to inform everyone engaged in the marketing of a particular commodity of his most profitable alternatives. Market information informs those it serves as to what the market demands (form utility), where it is demanded (space utility), and when it should be delivered (time utility). This study has been concerned primarily with the use made of market news as a basis for economic decisions rather than its availability. At present there is a considerable amount of information available to the livestock producers and meat packers of Tennessee. However, the nature of this information is not always the most desirable, and those involved in marketing livestock do not always secure and properly utilize this information.

To evaluate the nature and use of livestock market information in Tennessee in terms of the data which have been presented, attention is called to the five assumptions stated in Chapter I. The first assumption states that the amount and nature of livestock marketing information available in the state is inadequate. Examination of the data supports this assumption. The inadequacies can be listed briefly:

(1) Most livestock producers are unfamiliar with the United States Department of Agriculture's grades on which all reporting is presumably based. They are unable to grade their own livestock accurately enough to use market reports in relating market values to their livestock. Perhaps this is not an inadequacy of market news, but an inadequacy of the live-

stock producer. Nevertheless, to be fully adequate, the nature of the market news disseminated must be fully understood. To disprove the assumption, the news reports must either be on the intelligence level of those who use them or these people must be educated so they can understand the terminology now used.

(2) Market news is not complete enough. Producers have a choice of markets, but price quotations on only one market do not provide all the information necessary to choose the market giving the greatest net returns. It is often difficult to compare prices reported from the terminal markets with prices that would be received at a local auction. Information from more than one market outlet should be included in all dissemination to provide a basis for comparisons.

(3) The information which meat packers would be able to furnish is not utilized. The present system of direct and integrated marketing between the producer and the meat packer moves many animals to slaughter that go unreported in Tennessee.

(4) Market news reports are inadequate for some classes of livestock. The existing reporting system is inflexible and is aimed primarily at slaughter livestock. The coverage should be extended to give adequate information on stockers and feeders, cow and calf pairs, bred heifers, baby calves, and other such classifications that are of interest to Tennessee livestock producers and meat packers.

The second assumption states that the livestock producers do not make full use of existing information. The data also support this assumption:

(1) News reports disseminated through various media are not con-

sulted often and carefully enough. Although a majority of Tennessee's livestock producers receive some information, many market their livestock without even checking the market conditions or without paying any attention to the facts they receive. Market news is of no value to those who refuse to use it, no matter how much is available. Again the solution seems to lie in educating producers regarding the value of market news and how to use it.

(2) Proper marketing plans are not made before production starts. Many livestock producers persist in following the same production plans regardless of the consequences. These producers do not make adequate use of the outlook information now available in making their production plans. Instead, they seem to worry little about marketing their product until the day of sale.

(3) The grading system is not followed as it should be. The practice of buying and selling on a liveweight basis gives a common denominator to all livestock, regardless of grade. Carcass weights and grades if properly used offer potential savings that would benefit both producers and packers.

(4) Information on alternative outlets is not sought. Producers tend to take what they can get most conveniently rather than looking for the highest bid. Most farmers in Tennessee have two or more outlets available other than local dealers and farmers. However, many use the same outlet continuously without checking alternatives for better prices.

The third assumption states that the markets that were formerly preferred no longer hold the importance they once did. Analysis of the outlet data proves this. In former years the large terminal markets even-

tually handled a large percentage of the livestock before it got to the packer. This is no longer true; direct sales from the farm to the packer are becoming increasingly important. A large amount of Tennessee's livestock also moves from the producer to the processor through the numerous auctions located throughout the state. If these shifts continue, and indications are that they will, market news services must be extended to cover these outlets.

The fourth assumption of this study states that such factors as convenience and inter-market price relations have caused the market preference shifts described. Analysis of the data shows the following as factors of primary importance in choosing a market outlet:

(1) Prices received are one of the more important factors. Livestock producers feel they can obtain better prices by selling direct or through auctions. More farmers select a particular outlet because they believe it offers the highest price than for any other reason. Inconsistent pricing is also the chief dislike of any given outlet.

(2) The services rendered by the outlet is another important factor causing shifts in the channels which producers prefer. It is more convenient for both producers and meat packers if animals are delivered directly to the packing plant from the farm. Farmers also find it more convenient to deliver their livestock to a local auction rather than transport them several miles for consignment to a commission firm for sale.

(3) The total costs of marketing have been lowered by these outlet shifts. Direct sales eliminate fees and commissions. Sales closer to the farm have reduced transportation costs. All these factors lead to one big conclusion on the shift of market outlets--considering all factors concern-

ing prices, costs and services, all parties involved in livestock sales figure their net returns have been increased.

The fifth and final assumption listed in Chapter I states that opportunities are available to improve livestock marketing information. Careful evaluation of the results obtained by the interviews conducted point to several improvements which might be made in the use of market news now available in Tennessee and in the market news system as it now exists. Some of these have been mentioned in evaluation of the other assumptions. However, the following list of recommendations are presented in support of this assumption:

(1) Information for more than one market should be included in both radio and newspaper reports in order to provide a basis for comparison.

(2) Information needs to be collected on sales at auctions and on direct sales to meat packers and disseminated as official news reports.

(3) More local information is needed in some parts of the state and particularly in East Tennessee.

(4) Meat packers are a potential source of highly accurate market information, and should be encouraged to participate in market news programs.

(5) Livestock producers and meat packers must be educated as to the value of properly utilizing the market news services. Along with this must also go educational programs to qualify the producers to grade and judge their livestock according to the grades and terminology used in market news reports.

BIBLIOGRAPHY

BIBLIOGRAPHY

Dodds, J. Parry and Marvin, K. R. "How Do Iowa Farmers Obtain and Use Market News?" Research Bulletin 417. Ames: Agricultural Experiment Station, Iowa State College, 1954.

Fowler, Stewart H. The Marketing of Livestock and Meat. Danville: The Interstate Printers and Publishers, Inc., 1957.

Futrell, Gene. Ways to Improve Market News and Information. Ames: Iowa State College Press, 1955.

Kohls, Richard L. Marketing of Agricultural Products. New York: The Macmillan Company, 1955.

McCormick, Francis B. "Livestock and Grain Market Reports--They Can Be Improved," Journal of Farm Economics. 37 (August 1955).

Shepherd, Geoffrey S. Marketing Farm Products. Ames: Iowa State College Press, 1946.

Smith, Joel. "Michigan Farmers' Use of Radio and Newspaper Market News," Article 38-67. East Lansing: Michigan Agricultural Experiment Station, Michigan State College, 1956.

St. Clergy, Clyde. "Sources and Uses of Livestock Marketing Information In Louisiana," Louisiana Rural Economist. 20 (May 1958).

U. S. Department of Agriculture. Agricultural Statistics. Washington: U. S. Government Printing Office, 1956.

U. S. Department of Agriculture. "Livestock Market News Statistics and Related Data," Statistical Bulletin No. 209. Washington: U. S. Government Printing Office, 1957.

U. S. Department of Agriculture. "The 1954 Yearbook of Agriculture," Marketing. Washington: U. S. Government Printing Office, 1954.

Walther, Wilbert H. and McNeely, John G. "Livestock Market News Services in Texas," Bulletin 811. College Station: Texas Agricultural Experiment Station, Texas Agricultural and Mechanical College, 1955.

APPENDIX

TABLE XXIV

INCOME DISTRIBUTION BY FARM GROUPS OF 264 TENNESSEE LIVESTOCK PRODUCERS, 1956

Farm Group	Number of Farmers	Per Cent of Total Income From:				
		Livestock	Livestock Products	Poultry	Crops	Non-farm
Less than 25 acres	5	29.8	0	0	26.0	44.2
25-49 acres	17	23.6	10.4	2.1	20.6	43.3
50-99 acres	75	27.7	19.4	2.6	35.7	14.6
100-249 acres	133	30.2	20.2	1.8	33.9	13.9
250-499 acres	30	37.5	12.9	1.0	33.9	14.7
500-1000 acres	4	44.3	15.7	0	40.0	0

TABLE XXV

AVERAGE NUMBER OF LIVESTOCK PER FARM HAVING EACH CLASS OF LIVESTOCK, BY INCOME GROUPS, 264 TENNESSEE LIVESTOCK FARMS, JANUARY 1, 1956

Per Cent of Income from Livestock	Average Number of Livestock per Farm Having Each Class of Livestock							
	Cattle and Calves	Cattle for Milk	All Other Cattle	Cattle on Feed	Sheep and Lambs	Lambs on Feed	Hogs Over 100 Pounds	Hogs Under 100 Pounds
Less than 10 per cent	21.2	11.6	13.5	10.5	26.3	0	5.6	6.0
11-24 per cent	16.5	10.1	9.7	4.7	26.0	17.0	8.6	10.6
25-49 per cent	19.8	8.9	13.3	11.3	27.7	14.0	6.9	24.4
50-74 per cent	25.6	5.8	24.1	17.2	53.2	24.0	18.4	25.9
75-100 per cent	33.0	8.7	29.8	22.0	35.0	0	85.9	60.2

TABLE XXVI

NUMBER OF FARMS AND AVERAGE DISTRIBUTION OF TYPES OF FARM LAND BY FARM GROUPS OF 264 TENNESSEE LIVESTOCK PRODUCERS, 1956

Farm Group	Cropland		Improved Pasture		Unimproved Pasture		Woodland	
	Number of Farms	Average Number Acres Cropland per Farm	Number of Farms	Ave. No. Acres Improved Pasture per Farm	Number of Farms	Ave. No. Acres Unimproved Pasture per Farm	Number of Farms	Average Number Acres Woodland per Farm
Less than 25 acres	5	4.6	4	10.0	2	10.0	1	12.0
25-49 acres	14	12.3	13	19.2	8	15.0	11	9.3
50-99 acres	74	21.1	62	29.3	55	25.6	60	17.6
100-249 acres	130	43.7	105	59.6	97	44.7	114	40.0
250-499 acres	30	98.5	27	96.1	22	94.2	27	78.0
500-1000 acres	4	131.3	4	133.8	4	633.8	4	163.8

TABLE XXVII

NUMBER OF FARMS AND AVERAGE DISTRIBUTION OF TYPES OF FARM LAND BY INCOME GROUPS OF 264 TENNESSEE LIVESTOCK PRODUCERS, 1956

Per Cent of Income from Livestock	Cropland		Improved Pasture		Unimproved Pasture		Woodland	
	Number of Farms	Average Number Acres Cropland per Farm	Number of Farms	Average Number Acres Improved Pasture per Farm	Number of Farms	Average Number Acres Unimproved Pasture per Farm	Number of Farms	Average Number Acres Woodland per Farm
Less than 10 per cent	43	40.1	33	59.9	29	42.2	32	34.2
11-24 per cent	59	36.9	50	39.7	42	40.3	50	29.3
25-49 per cent	93	38.5	77	53.0	66	49.1	83	44.0
50-74 per cent	51	57.4	47	61.3	41	51.9	44	44.4
75-100 per cent	7	54.7	7	76.1	5	55.3	4	30.5
No data given	5	26.6	1	34.0	5	43.2	4	50.0