
MARKET OUTLETS FOR LIVESTOCK IN OHIO

Thomas T. Stout and Edward G. Moeller

**Department of Agricultural Economics and Rural Sociology
The Ohio State University
Columbus**

October, 1993

MARKET OUTLETS FOR LIVESTOCK IN OHIO *

Thomas T. Stout and Edward G. Moeller **

INTRODUCTION

The purpose here is to introduce Ohio livestock markets that are licensed with the state department of agriculture for operation in 1993. Locations on maps correspond with the addresses of license-holders - which usually are the same as the business locations. Trends in market numbers are apparent in the bottom right corners of Figures 1-5. Some corollary trends are recorded in other publications in this set. Ohio livestock production and land use trends are available in ESO 1980. National trends (with state and regional totals) in livestock marketings and slaughter appear in ESO 1934. National figures for marketings through major market outlets are in ESO 2082. National marketing channels for cattle and hogs are estimated in ESO 2084. Titles are referenced on the back page.

SOME DEFINITIONS

Livestock markets operate as merchant and/or as agent businesses. Merchant operations buy a product (take title to it and own it) and then resell it from their own inventory. Agent operations arrange title transfer for clients (without ever owning the

*The information is part of a series of teaching aids used in courses in Agricultural Economics at The Ohio State University. The material also has been distributed to personnel in Ohio State University Extension, including each of the county agricultural offices. Single copies may be obtained by requesting ESO-2083, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, 43210.

** Professor and student summer intern, respectively, Department of Agricultural Economics and Rural Sociology. The authors are grateful to Tom Brisker and Bill Thomas, Ohio Department of Agriculture, for assistance concerning sources and interpretation, and to Janice DiCarolis and Karlene Robison for graphics and typing.

product themselves) and charge the clients a fee for the service. Concentration yards, meatpackers, packer buying stations, and dealers are merchant operations. Auctions generally function as agents although there are circumstances when they will buy livestock. Other agent businesses are commission salesmen (for sellers) and order buyers (for buyers).

CONCENTRATION YARDS

'Concentration Yard' is an Ohio name for the same sort of livestock market that is called a dealer market in Indiana, a local or daily market in Illinois, and a hog market in Iowa. Collectively, these names help define these markets as (a) merchant businesses (b) at convenient nearby locations (c) operating on a daily basis and (d) specializing in slaughter livestock, particularly hogs. Markets of this character are found throughout the United States, but most are clustered in the Cornbelt (see ESO-2082). Notice in Figure 1 that most Ohio concentration yards are in the Cornbelt portion of the state where hog populations are highest (see ESO-1980). Perhaps 80 percent of market volume would be hogs in Ohio, and progressively higher percentages through Indiana and Illinois, to essentially 100 percent in Iowa. The other 20 percent of market volume in Ohio would be primarily slaughter cattle. The traditional role of markets of this type is an assembly function, gathering and sorting livestock into uniform lots that meet the particular specifications of any of a large daily number of potential packer customers. Purchasing and reselling is what makes the sorting process feasible since individual producer-owner identities do not need to be maintained (except for state animal health requirements) as must be done at auctions. Packers sometimes operate markets as buying stations that forward slaughter livestock to the parent plant. Buying stations in Ohio have been licensed as concentration yards, although they may be licensed separately in the future.

AUCTIONS

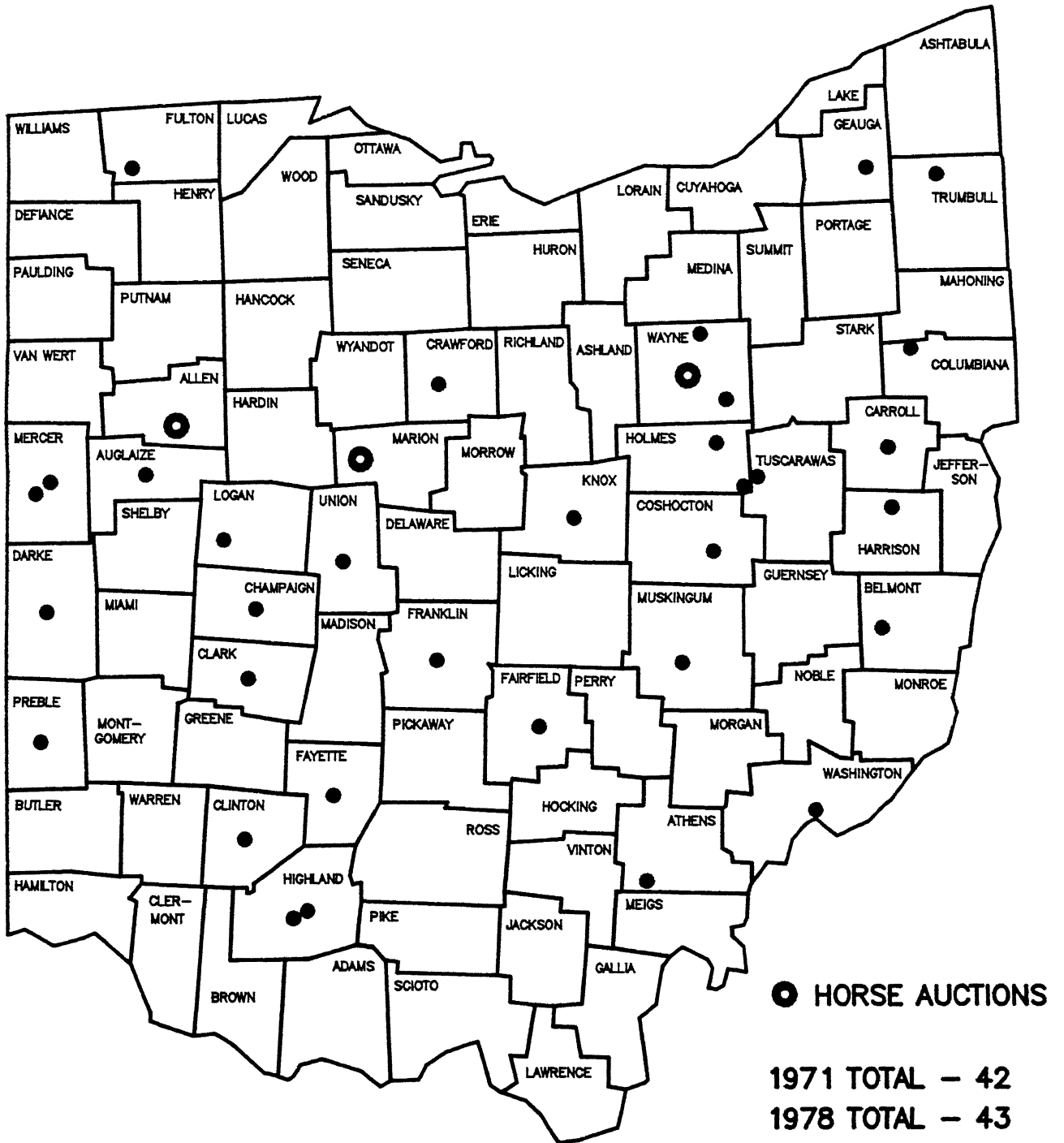
Auctions act as agent intermediaries representing sellers in transactions that transfer title directly from sellers to buyers. The charge for this service is publicly posted at the auction where everyone can see it. The auctioneer solicits purchase bids by 'public outcry' from competing buyers seated around an arena where livestock are displayed. Although many slaughter livestock are sold by this method in Ohio, auctions are notable primarily as the most important type of market for nonslaughter livestock. So a big share of market volume at auctions is made up of feeder calves and pigs, cows, bulls, sows, and boars. Principal bidders at auctions are other livestock producers, meatpackers or their (order buyer) representatives, and livestock dealers.

Auctions typically operate one day per week, so the auction structure usually is part of a local market facility that functions as a concentration yard the other four days of the week. (Some duplication of locations should be apparent in Figures 1 and 2.) In order to keep out of each other's way (and to maximize the number of bidders present on sale day) auction management takes care (a) to select a sale day that minimizes conflict with other auctions, and (b) to have a sale order that is different from other auction sales on the same day. One auction may start with hogs, for example, and another start with cattle, or some may start with slaughter livestock and others with nonslaughter.

DEALERS

Dealers are merchant businessmen. Functionally, they are the same as concentration yards (which are, after all, called 'dealer markets' in some places) but with two important differences. First, they tend to concentrate more on nonslaughter than on slaughter

FIGURE 2: OHIO LIVESTOCK AUCTION MARKETS LICENSED IN 1993



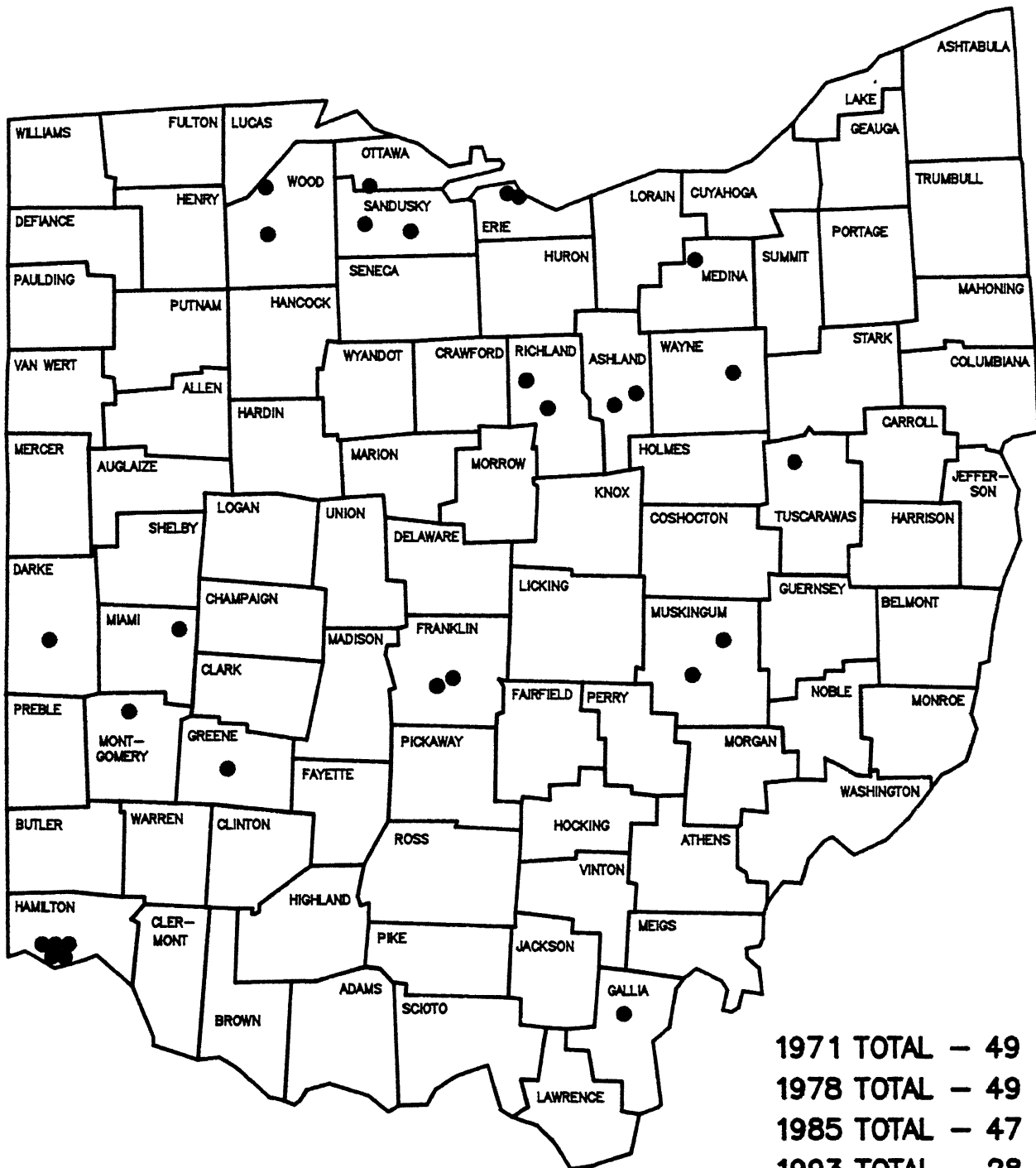
Source: License registrations, Division of Animal Industry, Ohio Department of Agriculture

livestock and, second, they are 'itinerant,' meaning that they do not buy and sell livestock at one business location. Instead, they travel a market area, providing useful local services and profiting from a finely-tuned knowledge of local values and probable price movements, augmented by a quick willingness to buy on the spot for cash. Being a dealer is most commonly a part-time venture that can be mixed in with some other activity that is a full-time occupation, like farming or livestock hauling. Dealer characteristics - itinerant, opportunistic, part-time, and cash transactions - make them hard to identify and license. There is more livestock dealing done in Ohio (and there are more livestock dealers) than is indicated by the number of license-holders shown in Figure 3, although much of it is so incidental as to not require a license.

SLAUGHTER ESTABLISHMENTS

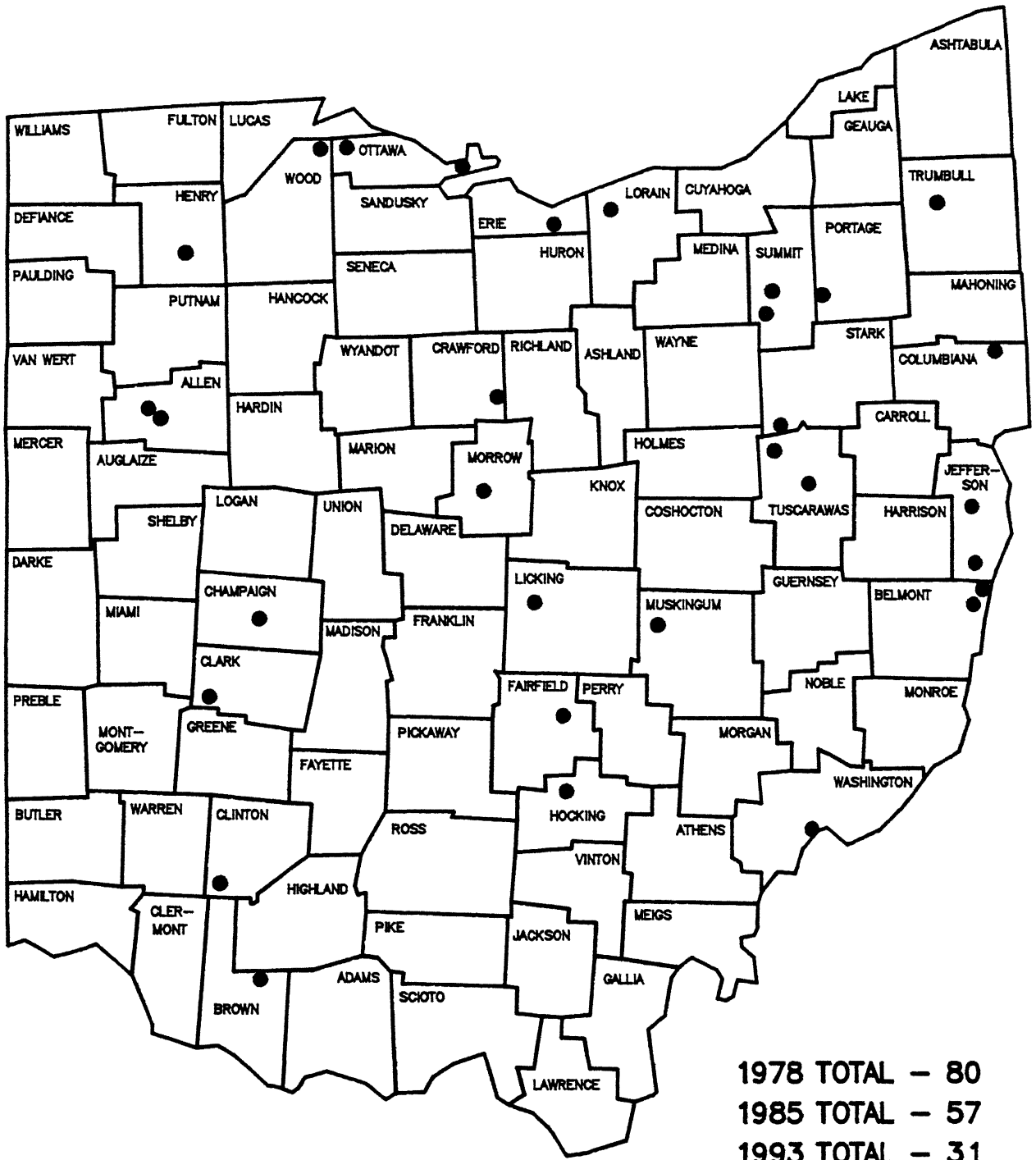
The term 'meatpacker' is broadly used with reference to three kinds of establishments: those that slaughter but do not process (e.g., smoke, cook, cure, can); those that slaughter and process; and those that process but do not slaughter. Figures 4 and 5 include the first two of these categories but not the third (although there are non-slaughtering processors in Ohio) because the licenses we are counting here cover livestock purchasing activities rather than meatpacking operations. So 'slaughter establishment' is a more restrictive term than is 'meatpacker' since all these establishments do slaughter livestock. The significance of their division into two categories, based on whether they do or do not have scales, identifies whether they do or do not buy livestock at the packing plant (Figures 4 and 5). Packers buy slaughter livestock wherever it is profitable to do so (both inside or

FIGURE 4: OHIO SLAUGHTER ESTABLISHMENTS WITH SCALES, 1993



Source: License registrations, Division of Animal Industry, Ohio Department of Agriculture

FIGURE 5: OHIO SLAUGHTER ESTABLISHMENTS WITHOUT SCALES, 1993



1978 TOTAL - 80
1985 TOTAL - 57
1993 TOTAL - 31
(OUT OF STATE - 13)

Source: License registrations, Division of Animal Industry, Ohio Department of Agriculture

outside the state) at concentration yards, auctions, farm feedlots, buying stations, or at the plant - if the plant has a scales.

TRENDS

Declining numbers of livestock markets and slaughter establishments in Ohio are related to other Ohio and national trends like those found below. Additional information on these trends is available in references cited in parentheses here and on the last page.

- For most of the 20th Century, Ohio agricultural production has been shifting gradually toward relatively more income from crops and relatively less from livestock (ESO-1980).

- For most of the second half of the 20th Century there has been a gradual westward shift in national centers of cattle and hog production (ESO-1934).

- The meatpacking industry has consistently demonstrated an interest in being located as close to its source of raw material as technology will allow. During the years since World War II, net industry migrations have been from east to west, from urban locations to rural, and from north to south (ESO-1934).

- In the years since World War II there has been a continuing trend toward larger size and increased specialization in agricultural production. Broilers, eggs, fed cattle and hogs all provide examples in animal agriculture. Often these changes have been accompanied by production methods that are integrated or contracted with processors, arrangements that are not always welcomed by midwestern family farm traditions (ESO-1934, ESO 1980).

- As production units and packing plants have increased in size, specialization, and proximity, the assembly function performed by country livestock markets has lost some of its value to producers and packers who have discovered that they can deal directly with each other. This 'direct marketing' now dominates livestock marketing channels, especially in the west (ESO-2082, ES0-2084).

- Most U.S. farm households now earn more income from nonfarm jobs than from their farm operations. Nonfarm jobs tend to complement crop production but compete with livestock production as alternative sources of farm household income (ESO-1980, RB 1189).

- Good highways that allow farm householders to commute to nonfarm jobs in town also allow nonfarm families to establish households in the country. Rural nonfarm residents in Ohio now outnumber farm residents by a ratio of about 9 to 1 (Census). These residents often regard the rural environment as a consumer good as well as (or rather than) an economic resource. Together with farm households that resist threats to the family farm, these two sets of rural residents can have priorities that are incompatible with large production units like those that predominate in the sparsely-populated places where they are welcome (ESO-1980, Ohio's Challenge).

ANTICIPATING THE FUTURE

Despite long-term trends, observers note that northeastern states (east of Ohio) contain over 20 percent of the U.S. population and that these consumers depend on red meat shipments from locations west of Ohio. After all, they ask, why should Ohio livestock move west to slaughter only to be shipped back east across the state as meat on its way to

this major market right next door? So efforts are underway to see if Ohio does in fact enjoy some geographic advantages that should be developed.

But new livestock industry arrangements would be unlike the past. The industry will be characterized by few participants rather than many, with units so large as to want mutual commitments (for markets and supplies) contracted over periods long enough to be reassuring to producers, packers, and lenders. Government policy commitments probably would also be sought. A few good locations would be important, perhaps with low population density and committed producers in areas where community income enhancement would be an attractive inducement. The Ohio-Indiana border, Southeast Ohio, and the Amish communities get mentioned as speculative possibilities. But nobody has the essential facts; work needs to be done. Turning a trend around will be more complicated than just being on time for the ride when opportunity arrives. This opportunity doesn't stop at this station - or necessarily even travel this route - unless something persuasive makes it happen. A collective effort, informed and organized, is going to be required, perhaps not unlike the collective action that redefined livestock marketing in the years before World War II.

REFERENCES

- Bollinger, T.J., P.J. Brown, T.T. Stout, and G. M. Tosi, "Conflict in the Countryside? Farm and Nonfarm Neighbors Sharing the Land," Ohio's Challenge (The Magazine of Agricultural Economics and Rural Sociology, The Ohio State University,) Winter, 1992 (page 10).
- Stout, Thomas T., "Patterns of Livestock Production and Slaughter in the United States: An Overview," ESO-1934, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, April, 1992.
- Stout, Thomas T., "Changing Geographic Patterns of Cattle and Hog Production in Ohio, 1961-1991," ESO-1980, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, October, 1992.
- Stout, T.T., D.L. Forster, and G.E. Edgington, "Organization and Performance of Ohio Farm Operations in 1990," Research Bulletin 1189, Ohio Agricultural Research and Development Center, Wooster, December, 1992.
- Stout, Thomas T. and Karen J. Ramsey, "National Livestock Marketings for Major Market Outlets and Selected Years," ESO-2082, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, October, 1993.
- Stout, Thomas T. and Karen J. Ramsey, "U.S. Marketing Channels for Livestock: Estimated Percentage Distributions of Cattle and Hogs Through Major Market Outlets in 1990," ESO-2084, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, November, 1993.

