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Community Sales In Kansas

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COMMUNITY SALES IN KANSAS

being

A thesis presented to the Graduate Faculty
of the Fort Hays Kansas State College in
partial fulfillment of the requirements for
the Degree of Master of Science

by

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Date

Jan. 15, 1952

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CHAPTER I

INTRODUCTION

During the past quarter century in Kansas there has developed a unique economic unit that has restricted itself principally to the livestock industry. This development was facilitated greatly by the abnormal years of drought and depression in the decade of the 1930's.

The purpose of this paper is to investigate the growth, development, operation, and economic value of the community sale in Kansas. A general survey of community sales throughout the state will be made; however, the Salina Sales Pavilion of Salina, Kansas will be used as a model due to its geographic location, financial organization, and volume of business.

BRIEF HISTORY OF COMMUNITY SALE MOVEMENT

The community sale, although of recent development in Kansas, has been in existence in the United States for more than a century.¹ The English fairs were the forerunner of the community sale.² Auction sales were reported to have been held in New York City prior to 1700.³

¹ Paul D. Converse and Harvey W. Huegy, The Elements of Marketing (third revised edition; New York: Prentice-Hall, Inc., 1946, p. 230.

² Research Department, Kansas Legislative Council, Bulletin No. 44, Community Sales (Topeka: Research Department, Kansas Legislative Council, 1936), p. 5.

³ Loc. cit.

It is believed that the first auction sale in the middle west was held at London, Ohio in 1853, but this appears to have been an isolated example.⁴

Later development seems to have occurred in 1877 when a group of Tennessee farmers, in order to obtain better prices for lambs, organized the Goodlettsville Lamb Club.⁵ As in 1930, this organization appears to have been facilitated by an economic consequence, namely the post-Civil War depression. Two purposes of these organizations in 1877 and in 1930 appear obvious. Money in both cases was relatively scarce; due to this fact, farmers who patronized these sales were interested in a more direct exchange of goods. The combination of these factors helped in sales development as the community sale was a focal point for the community, thus making barter feasible.

As the community sale developed many types of goods were introduced either to be sold or bought; however, the community sale today is principally a medium of marketing livestock. With the Tennessee sale as a "model" for organization, auctions were organized in the livestock areas of Kentucky, Oklahoma, and Arkansas. The community sale is the principal method of livestock marketing in the bluegrass region of Kentucky.⁶ Tobacco was also marketed in this manner in 1906. In the 1920's, the community sale movement spread north of the Ohio

⁴ Loc. cit.

⁵ Loc. cit.

⁶ Loc. cit.

river and into Wisconsin and South Dakota.⁷ In some instances livestock marketing was somewhat specialized in that Wisconsin catered to the dairy industry. South Dakota met the desire of the livestock producer to sell as near home as was feasible and to avoid fluctuations in terminal market prices.⁸ The Kansas sales appear to have developed to fulfill a desire for the "small" buyer and seller to have a convenient market in regard to distance and cost of transportation from point of production to the market. The rapid growth of the community sale, however, has attracted buyers from neighboring states. Good roads and motor transportation have played an important part in the development of the community sale. The railroad has in the past, to a degree, forced marketing at the terminal markets. The flexibility of motor transportation has seriously encroached on the former advantageous position of the railroads. In short, livestock marketing has been decentralized and localized.

As far as can be determined by this study, the first community sale in Kansas was organized at LeRoy in January, 1918.⁹ The second community sale was organized at Hiawatha in November of the same year.¹⁰ At the present time there are 143 community sales operating in Kansas.¹¹

⁷ Ibid., p. 6.

⁸ Loc. cit.

⁹ Loc. cit.

¹⁰ Loc. cit.

¹¹ A. G. Pickett, Kansas Livestock Sanitary Commissioner, Topeka, Kansas, "Personal Correspondence," December 3, 1951.



FIGURE
DISTRIBUTION BY COUNTIES OF COMMUNITY

NOTE: Red indicates posted yards.
Black indicates non-posted,
state-regulated yards.

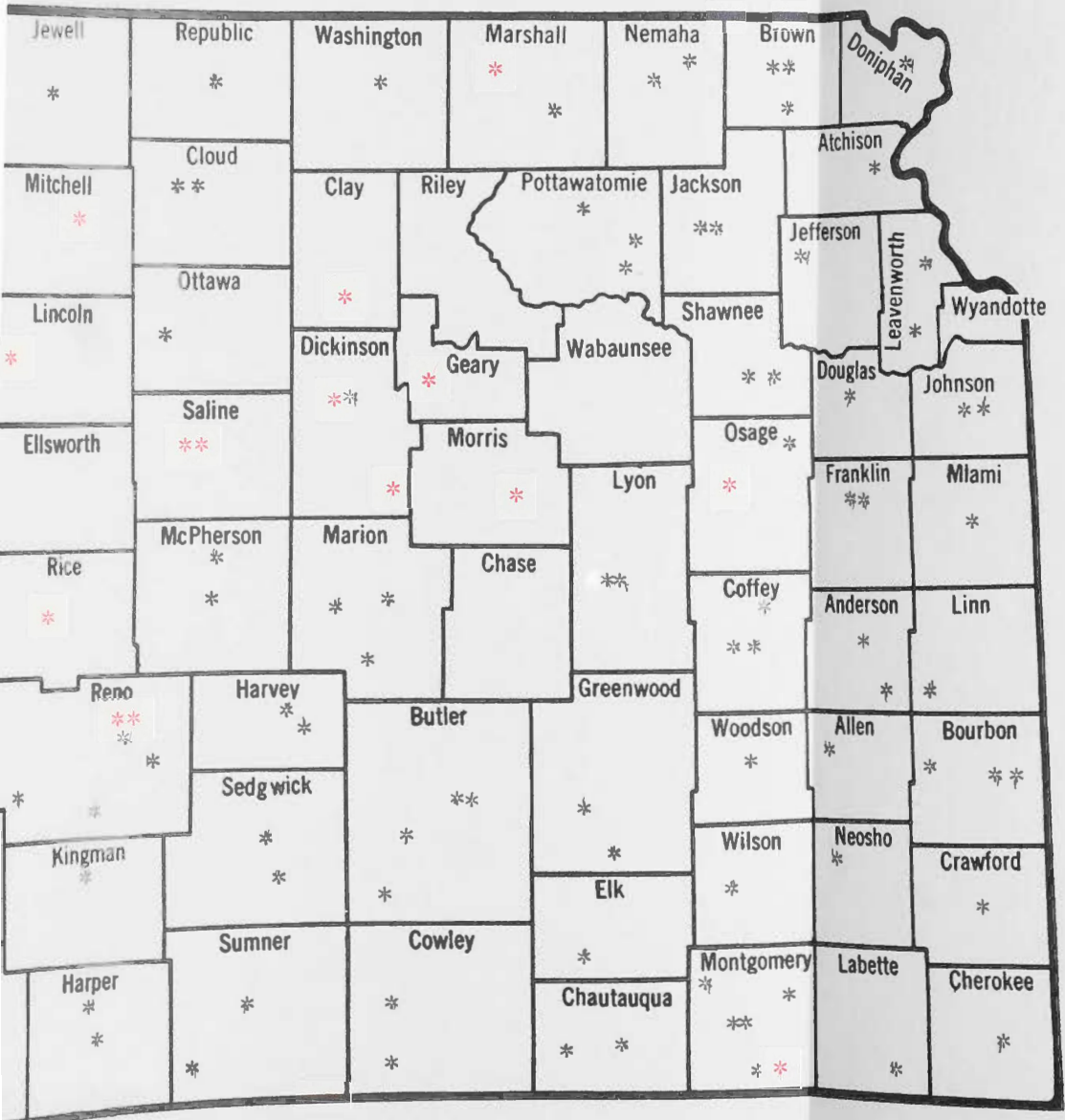


FIGURE 1
COMMUNITY SALES OPERATING IN KANSAS, 1951

POPULARITY OF THE COMMUNITY SALE

Statistics indicate that marketing livestock through the medium of the community sale is gaining in popularity. The table on the following page will enlighten the reader in regard to this gain. With the exception of two years, 1943-44 and 1947-48, the number of auctions held by all community sales during any one fiscal year from 1942 to 1951, has showed an increase over the number held the preceding year. During the nine fiscal years from 1942-43 to 1950-51, there has been an increase of 1,575 in the total number of auction sales held by all community sale operators in Kansas. There are two principle reasons for this increase. First, there were actually more licensed sales operating during the fiscal year of 1950-51 than there were during the fiscal year of 1942-43. A gain of thirty-two licensed sales is shown for this period. Second, and probably of even greater importance than the foregoing reason, many sale operators are now, during part of the year, holding more than one sale per week.

There has been a marked decrease in the number of mules sold by community sales. It is the investigator's belief that this is not a reflection on the popularity of the community sale as a means of marketing mules, but that it is due to the replacement of mules for farm power by power machinery. There is also a decrease in the number of hogs marketed through the community sales. This is, no doubt, due to direct marketing, i.e., the producer ships directly to a packing company; therefore, the hogs never enter the marketing cycle.

TABLE I

NUMBERS OF LIVESTOCK SOLD, NUMBER OF SALES HELD, AND NUMBER OF LICENSES
ISSUED DURING THE FISCAL YEARS, 1943 TO 1951^a

Fiscal year	Sales held	Horses	Mules	Cattle	Hogs	Sheep	Licenses* issued
1942-43	5,640	22,475	3,513	1,003,976	1,069,857	55,112	122
1943-44	5,516	20,966	2,826	860,745	1,115,000	31,782	123
1944-45	5,583	24,503	3,883	1,015,774	493,121	40,031	126
1945-46	5,893	36,389	3,320	1,198,910	555,603	23,172	140
1946-47	6,543	38,230	3,130	1,372,505	544,810	21,388	153
1947-48**	6,290	30,987	1,503	1,081,636	551,077	20,547	160
1948-49	6,793	25,176	1,470	1,106,829	589,186	25,205	150
1949-50	7,210	22,483	845	1,511,258	788,582	28,793	165
1950-51	7,215	16,093	560	1,440,580	882,160	31,223	154

^a State Livestock Sanitary Commissioner, State of Kansas, Biennial Reports, Fiscal years 1943 to 1950 inclusive, (Topeka: State Printer, 1944-50); A. G. Pickett, Kansas Livestock Sanitary Commissioner, Topeka, Kansas, "Personal Correspondence," December 3, 1951, for the year, 1951.

* The number of licenses issued exceeds the number of sales; if a sale is sold to a new operator, the new operator must secure a new license, even though it is the same sale.

** Due to a change in the beginning of the fiscal year, the figures for this period cover eleven months.

DEFINITIONS OF TERMS

The very nature of the community sale introduces certain terms that may confuse the layman. These terms may appear in the actual process of livestock marketing and/or in conversation used by persons engaged in the buying and the selling of livestock. The terms in this thesis will be used as defined to avoid confusion that might otherwise arise.

Act. Act means the Packers and Stockyards Act, 1921.

By-bidder. By-bidder means one who bids in behalf of the sale operator, auctioneer, or owner, in order to raise the price of the livestock being sold. A by-bidder has no intention to buy the animal or animals being sold.

Checker. Checker means the individual in charge of assigning livestock to specific pens.

Check-out ticket. Check-out ticket means the ticket that entitles an individual to remove livestock from the auction pens for purpose of loading into trucks.

Commissioner. Commissioner means the Livestock Sanitary Commissioner for the State of Kansas.

Condition. Condition means the physical appearance of the animal as reflected by quantity of flesh, appearance of hair, and amount of fill.

Consignor. Consignor means one who consigns livestock to a community sale for the purpose of having the livestock sold.

Cut-back. Cut-back means an animal that is removed from a specific draft of animals that is being sold.

Dead-eye. Dead-eye means an animal whose eye or eyes are no longer functioning properly; the eye is usually white in appearance and is sometimes referred to as a "white-eye."

Dealer. Dealer means a person who receives livestock on consignment and offers it for sale at the community sale; the owner, conductor, or operator of a community sale.

Deposited market. Deposited market means an auction market that no longer comes within the jurisdiction of the United States Department of Agriculture.

Director. Director means the Director of Marketing Services, United States Department of Agriculture.

Feeder cattle. Feeder cattle means cattle that are suitable for fattening for slaughter.

Fill. Fill means the amount of feed and water that an animal is carrying at the time it enters the auction ring.

Law. Law means the Community Sales Law of Kansas.

Livestock. Livestock means all cattle, sheep, hogs, horses, and mules.

Market agency. Market agency means any person engaged in the business of receiving livestock on consignment and selling it in a public auction ring; a dealer or owner of a community sale.

Mouthing. Mouthing means the act of examining an animal's teeth to determine their condition and the animal's approximate age.

No-sale. No-sale means the refusal of the consignor and/or owner of livestock to accept the highest bid offered for his animals.

Order buyer. Order buyer means any person who is engaged in the business of buying livestock of a specific type and size to fill the order of an individual who is unable to attend the auction.

Packer buyer. Packer buyer means an individual engaged in the business of buying livestock for purposes of slaughter.

Posted market. Posted market means a market that has been brought within the jurisdiction of the Department of Agriculture as provided in the Packers and Stockyards Act of 1921.

Producer. Producer means any person engaged in the business of breeding, grazing, or feeding livestock.

Quarantine pens. Quarantine pens means pens that are separate and apart from the sale pens regularly used to pen livestock consigned to the auction for sale. Quarantine pens are used to confine livestock that have or have been exposed to a contagious disease.

Receiving agent. Receiving agent means any person in charge of receiving livestock to be sold by the auction market.

Receiving bill. Receiving bill means a bill that is made by the receiving agent when livestock arrives at the auction yards. The bill is made in triplicate; it gives destination of livestock, owner, and other pertinent information.

Sale. Sale means the Salina Sales Pavilion.

Scalper. Scalper means any person that buys livestock in the yards and resells the livestock in the same yards.

Secretary. Secretary means the Secretary of the United States Department of Agriculture.

Speculator. Speculator means an individual that is engaged in the business of buying livestock on his own account for purpose of resale. A speculator does a much larger volume of business than a trader or scalper. The speculator buys his livestock in the auction ring and is a competitive bidder. A speculator usually sells his livestock to farmers, feeders, or other speculators. It is not uncommon for a speculator to hold livestock several weeks before reselling it.

Stocker cattle. Stocker cattle means cattle that are suitable for breeding and/or growing purposes.

Surety bond. Surety bond means a bond that is underwritten by a responsible individual or surety company.

Terminal market. Terminal market means a trading center where facilities are provided for receiving and handling livestock and where several selling agencies operate. Livestock consigned to a terminal market are not sold at public auction; all sales are of a private nature between commission firms and buyers.

Trader. Trader means any person that buys livestock in the yards and resells the livestock in the same yards. The term "trader" is used to mean the same as scalper; however, a trader, strictly speaking, differs from a scalper in that a trader does a much larger volume of business than does a scalper. For all practical purposes, the terms are interchangeable.

Yards. Yards mean the pens and other inclosures that are provided by the community sale for receiving, handling, and holding livestock.

Yard man. Yard man means the person in charge of penning livestock in the yards after they have been through the auction ring.

Yard ticket. Yard ticket means the ticket that accompanies the livestock from the receiving docks to their pen. The yard ticket is placed in a box on the pen gate so as to identify the livestock.

CHAPTER II

GENERAL VIEW OF KANSAS LIVESTOCK AUCTIONS

The 143 livestock auction markets operating in Kansas are distributed throughout the state but tend to concentrate in the eastern two-thirds of the state. Grazing facilities, mixed-farming, and proximity to the corn belt, which provides an abundance of feeder buyers, appear to account for this concentration. The western one-third of the state, although possessing considerable grazing facilities, is engaged principally in small-grain farming. Relatively great distances, also preclude a great number of livestock markets from locating in the western section of the state.

Enough time has not elapsed to determine fully the permanence of the community sale in Kansas. Certain factors indicate that the auction market is filling an economic need. Obviously as long as the need exists the community sale will continue to function. These factors encompass a growing number of buyers who depend on the community sale to furnish annually a given number of feeder and replacement cattle. Individual farm sales of livestock are declining rapidly. Many patrons feel that their interests are protected more at a community sale than if they had sent their livestock to a terminal market. It must be realized, however, that many farmers and stockmen still prefer to use the terminal market as a point to dispose of livestock and to acquire replacement needs. The community sale appears to be more efficient in the handling of stocker and feeder

cattle than does the terminal market.¹ This is, however, a matter of opinion and has been questioned by many.

NEED FOR REGULATION OF COMMUNITY SALES

In general. Community sales operated in Kansas for a number of years without any state regulation whatsoever. Prior to the Community Sales Law of 1937, an individual desiring to operate a sale simply secured a suitable location and advertised that a sale would be held at a given date.² In 1936, a research report prepared for the Kansas Legislative Council stated that:

Persons familiar with the operation of so-called community sales find that a large percentage, probably more than half, are in fact not community sales at all. They are not sponsored by a community or any general community organization. Private individuals, livestock dealers, speculators, and auctioneers frequently obtain a pavilion, . . . and set up a so-called community sale. This name is used in order to lend some dignity to the enterprise and attract buyers.

Some sales may have been organized by a sponsor having connections with truck haulers, speculators, or scalpers. Arrangements can be made to bid in the better livestock offered for sale and to attempt to unload the poorer animals and less desirable commodities. If these are not disposed of at the price desired, other speculators will bid them in and transport them to another sale. . . . If they cannot be sold at a profit they will be taken to other auctions and offered for sale until someone, perhaps not a good judge of values, bids them in.³

¹ Research Department, Kansas Legislative Council, Bulletin No. 44, Community Sales (Topeka: Research Department, Kansas Legislative Council, 1936), p. 8.

² Ibid., p. 15.

³ Ibid., pp. 15-16.

View of the farmer. Early in the 1930's the farmers formed a definite opinion toward the regulation of the community sale. Their opinion is well stated in the following paragraph:

On the whole the attitude of the farmer is favorable toward the community sale. The general feeling is that it is rendering a worth while service, but requires regulation in the interest of protecting the patron. Those who have purchased hogs which soon died from cholera, or who have reason to believe that property stolen from them has passed through community sales, or who have been dissatisfied with the conduct of a sale are strongly in favor of regulation.⁴

Views of Kansas farm organizations. Kansas farm organizations soon came to the aid of the farmers in their fight for state regulation of auction markets. The Kansas State Board of Agriculture, on July 2, 1936, expressed its opinion of regulation as follows:

Community sales have become a permanent enterprise, extending certain benefits and also creating certain liabilities and dangers.

It is the desire of this body that protective legislative measures be passed, as follows: Sales managers shall be bonded. Certificate of ownership shall accompany property sold. Statement of vaccination and health should accompany consignment entry when possible.⁵

The Kansas State Grange formed an even more definite attitude toward state regulation of community sales. The State Master of the Kansas State Grange, in a letter of July 2, 1936, said that:

The attitude of the Grange was to the effect that some regulation of these sales was required, the general opinion being that regulation should be stringent enough to protect the buyer of any property sold at a community sale in his

⁴ Ibid., p. 7.

⁵ Ibid., p. 8.

title, that the operators of the sale should be held responsible to the purchaser, if it developed that he had purchased stolen property.

That regulation should also provide protection against the spread of contagious diseases among animals, such as hog cholera, foot and mouth disease, etc. In other words provide for sanitary conditions in the sale ring, and that every precaution possible be taken to prevent the sale of diseased animals.

Many would have even gone so far as to make the owner of the sale responsible in case of unvaccinated hogs sold if cholera developed within a week after the sale. I do not believe, however, that this later [latter?] provision was adopted.

The Grange is in favor of every possible safeguard against the spread of diseases and the selling of stolen property at community sales and will favor such laws as will aid in the elimination of such practices.⁶

Mr. O. O. Wolf, President of the Kansas Farm Bureau, in a letter of July 15, 1936, expressed his organization's viewpoint of the community sale in this manner:

We insist that all so-called community sales be planned under strict supervision and (the management) be bonded so as to insure payment on property sold and eliminate the sales of diseased (animals) or stolen property and that properly certified ownership must be exhibited to the clerk before property is offered for sale.⁷

REGULATIONS OF COMMUNITY SALES

To be recognized by the state and federal governments, community sales must follow certain regulations as prescribed by law. It is not the purpose of this paper to give a detailed account

⁶ Ibid., p. 9.

⁷ Ibid., pp. 9-10.

of the regulations as prescribed by the Community Sales Law of Kansas⁸ or the federal regulations authorized by the Packers and Stockyards Act of 1921.⁹ However, a brief summary of the regulations provided by the state and the federal government will, perhaps, enlighten the reader of the more pertinent provisions of the state and federal law. To avoid confusion, federal and state regulations will be treated as separate units.

STATE REGULATION¹⁰

The Community Sales Law became effective July 30, 1937. The Law has since been amended by the legislature in 1939 and 1949. The Livestock Sanitary Commissioner administers the Community Sales Law.

Definition of community sale. A community sale is defined as follows:

The term "community sale" means any series of sales, exchanges or purchases of any livestock made at regular or irregular intervals at an established place or places in this state, and held more than three times a year, by any person, directly or indirectly, for or on account of

⁸ For detailed regulations see: General Statutes of Kansas, 1949 (Topeka: State Printer, 1949), Chap. 47, Secs. 1001-1013; Livestock Sanitary Commissioner, Regulations and Inspection Requirements Issued in Connection with the Administration of the Community Sales Law (Topeka: State Printer, 1950), 12 pp.

⁹ For detailed regulations see: United States Department of Agriculture, Regulations Under the Packers and Stockyards Act as Amended (Washington, D. C. : United States Government Printing Office, 1945), 30 pp.

¹⁰ General Statutes of Kansas, 1949 (Topeka: State Printer, 1949), Chap. 47, Secs. 1001-1013.

the producer or producers, consignor or consignors thereof, at public auction or at private sale thereat except that this term shall not apply to sales, purchases or exchanges of livestock of any person, persons or corporation selling the products or produce belonging to them in interstate commerce, when made at or upon a public livestock market which is subject to regulation under what is commonly known as the packers and stockyards act of 1921 of the United States and where federal veterinary inspection is regularly maintained under the supervision of the bureau of animal industry of the department of agriculture of the United States of America.¹¹

Bond and license. The Community Sales Law provides that any person desiring to operate a community sale shall make application to the Livestock Sanitary Commissioner annually for a license to operate. The license fee is ten dollars and is renewable on July 1 of each year. However, before the license can be issued to any dealer the applicant must file a surety bond with the commissioner in the amount of two thousand five hundred dollars. The bond is not continuous; it must be renewed annually. Consignors and purchasers that may suffer financial loss due to breach of a dealer with any terms of the bond may look to the bond for protection.

Complaints and investigations. The commissioner has the power to make investigations and to hold hearings in connection with the administration of any of the provisions of the Community Sales Law. The commissioner may arrest any person found violating the Community Sales Law. If facts specified at a hearing show that any provision of the Community Sales Law has been violated, the commissioner may suspend or revoke the license of the sale operator.

¹¹ Ibid., chap. 47, sec. 1001.

Reasons for refusal, revocation or suspension of license. The

Community Sales Law states in part that:

The commissioner may . . . refuse to grant a license and may revoke or suspend any license, as the case may require, when he is satisfied of the existence of any of the following facts: (a) That any provision of this act, or any rule, order or regulation lawfully promulgated thereunder by the commissioner has been violated by the applicant or licensee. (b) That the applicant or licensee has knowingly received on consignment or sold at a community sale any stolen livestock, or mortgaged livestock without authority of the lawful owner or mortgagee. (c) That the licensee was guilty of fraud or deception in the procurement of such license. (d) That the applicant or licensee has violated the laws of the state, or official regulations governing the interstate or intrastate movement, shipment or transportation of any livestock. (e) That the applicant or licensee fails to practice measures of sanitation, disinfection and inspection as included in this act or as prescribed by the commissioner, of premises used for yarding, stabling, housing, or holding of livestock. (f) That there has been failure to keep records required by the commissioner or a refusal on the part of the licensee to produce records of transactions in the carrying on of the business for which such license is granted, or that the licensee selling livestock by weight fails or refuses to have livestock handled by him weighed on scales that are regularly inspected and tested for accuracy by duly authorized public authority or authorities. . . .¹²

Remittance to consignor. It is specified that the dealer shall, immediately following the sale of livestock consigned to him, deliver to the consignor a true report of the sale showing the quantity sold and the selling price. The dealer is also required, immediately following the sale, to make payment to the consignor in the full amount realized from the sale, less the commission and other charges that may occur in connection with the sale.

¹² Ibid., chap. 47, sec. 1005.

Inspection of livestock. The Community Sales Law requires that each sale operator employ a veterinary inspector whose duty is to inspect all livestock that is offered for sale. The veterinary must be approved by the commissioner and he may be employed at more than one sale. Unless there is a mutual agreement between the sale operator and the veterinary inspector or the veterinary inspector resigns, the dealer cannot discharge the veterinary during the licensed year or change veterinary inspectors at the time of the issuance of a new license without the approval of the commissioner.

The Community Sales Law provides that the dealer shall collect from the consignor, and pay to the veterinary inspector, a fee of three cents per head for all livestock inspected. It is further provided in the Community Sales Law that in the event the charge of three cents per head on all livestock inspected at a community sale on any sales day does not amount to ten dollars or more, the community sales dealer shall pay from his own account a sum in addition to the amount collected from the consignors so that the veterinary inspector will receive the required minimum fee of ten dollars.

Books, records, and reports to commissioner. It is provided within the Community Sales Law that each dealer shall keep records and accounts of the business transacted at each sale. The books and accounts must show, among other things, the date when each lot of livestock was received by the dealer, the names of the buyers and the sellers of the livestock, the place of origin of the livestock, the make and state license numbers of all vehicles and the driver's

license number and the name of the consignor or owner. Each dealer is also required to make reports to the commissioner concerning business transacted, rates and charges for services rendered, facilities furnished by the dealer, and any other report the commissioner may deem necessary for the effective administration of the Community Sales Law.

Penalties for unlawful acts. The Community Sales Law provides that:

Any person shall be guilty of a misdemeanor and, upon conviction, shall be punished by a fine of not less than one hundred dollars or more than five hundred dollars, who (a) assumes or attempts to act as a dealer, without a license, (b) imposes false charges for handling or services in connection with livestock handled, sold or exchanged, or offered for sale or exchange at a community sale, (c) fails to account promptly, correctly and fully for any livestock sold or handled by him and properly to make settlements therefore, as herein provided, (d) makes false or misleading statements as to the market conditions at any community sale conducted or operated by him or it, (e) makes any false or misleading statements as to the health or physical condition of the livestock or quantity of livestock shipped or sold, (f) fails to comply in any respect with this act and any and all lawful rules, regulations and orders of the commissioner issued and promulgated hereunder: (g) Provided, however, That nothing in this act shall in any manner affect any person engaged in the business of buying or assembling livestock for the purpose of prompt shipment to, or slaughter in, any livestock market or packing house which is subject to regulation under what is commonly known as the packers and stockyards act of 1921. . . .¹³

Fee: collection, disposition, and regulation. The Law provides that a regulatory fee of two cents per head shall be collected by the sale operator from the consignor for all livestock sold at a community sale and that the sum of the collections shall

¹³ Ibid., chap. 47, sec. 1010.

be remitted to the Livestock Sanitary Commissioner on the 30th day of each month. It is provided that the moneys collected shall be appropriated to the commissioner for the purpose of administering the Community Sales Law. This particular section of the Sales Law is somewhat flexible inasmuch as it authorized the Sanitary Commissioner to decrease or to increase the fee charged per head whenever he determines that the fees are yielding more or less than is required for administering the Community Sales Law.

FEDERAL REGULATION

In general. The United States Department of Agriculture, through the authority granted by certain regulations in the Packers and Stockyards Act of 1921, has the power to regulate auction markets as well as terminal markets.

Forty-six of the 143 auction markets in Kansas are under the supervision of the federal government.¹⁴ The auction markets in Kansas which meet the jurisdictional requirements of the Packers and Stockyards Act of 1921, as amended, are posted from time to time as the Department of Agriculture determines upon investigation that they should come under the supervision of the federal government.¹⁵

¹⁴ John F. Clendenin, District Supervisor, Packers and Stockyards Division, Livestock Branch, Production and Marketing Administration, United States Department of Agriculture, "Personal Correspondence," October 29, 1951.

¹⁵ J. A. Zelinski, Rates and Registrations Section, Packers and Stockyards Division, Livestock Branch, Production and Marketing Administration, United States Department of Agriculture, "Personal Correspondence," October 25, 1951.

The Packers and Stockyards Act places upon the Secretary of Agriculture the responsibility for determining whether the auction markets comply with the provisions of the Act and whether they are rendering reasonable services at reasonable rates and without any discrimination as to quantity or quality of services or discrimination in respect to the assessment of the charges.¹⁶

The day to day supervision of the auction markets in Kansas is under the direction of the District Supervisor, Livestock Branch, Packers and Stockyards Division, Production and Marketing Administration, United States Department of Agriculture.¹⁷ The office of the District Supervisor for Kansas is located at 760 Livestock Exchange Building, Kansas City 15, Missouri.

Specific requirements for federal supervision. Before an auction market is placed under the supervision of the United States Department of Agriculture, it must meet the following three requirements:

1. An auction must be known as a public market operated for profit where anyone can buy and sell.
2. There must be evidence of inter-state business at the auction. . . .
3. An auction market must have 20,000 square feet, or more, of space for handling livestock exclusive of alleys, passageways and other space not used in the sale of the livestock.¹⁸

¹⁶ Loc. cit.

¹⁷ Loc. cit.

¹⁸ Clendenin, loc. cit.

It is the investigator's belief that practically all, if not all, of the auction markets in Kansas have at least 20,000 square feet of space for handling livestock. Also, all 143 of the auctions in Kansas are public markets--by virtue of the fact that they have a state license to operate as a public auction. However, only forty-six auction markets in Kansas are under the supervision of the federal government. Evidently the remaining auctions are not, in the eyes of the federal government, engaged in business of an interstate nature.

REGULATIONS UNDER THE PACKERS AND
STOCKYARDS ACT, AS AMENDED¹⁹

Posting of auction markets. After it has been determined that a market comes within the jurisdiction of the United States Department of Agriculture, the market is posted. This is accomplished by giving notice to the auction operator by registered mail or in person, and by giving notice to the public by posting copies of such notice in at least three conspicuous places at the auction yards.

Deposting of auction markets. After it has been determined that an auction market no longer comes under the supervision of the Department of Agriculture, the auction is deposted. This is accomplished by giving notice to the auction owner by registered mail or in person, and by giving notice to the public by posting copies of the notice of that fact in conspicuous places at the auction market.

¹⁹ United States Department of Agriculture, Regulations Under the Packers and Stockyards Act as Amended (Washington, D. C. : United States Government Printing Office, 1945), 30 pp.

Bonds. Each market agency that is under the supervision of the United States Department of Agriculture is required to maintain a surety bond to make certain of the performance of its obligations.

Regulations under the Packers and Stockyards Act state that:

. . . Surety companies underwriting bonds shall be approved by the Treasury Department of the United States for bonds executed to the United States. The amount of such bond shall be not less than the nearest multiple of one thousand dollars (\$1,000) above the average amount of sales or purchases, or both, of livestock by such market agency or dealer during two business days, based on the total number of the business days, and the total amount of such sales or purchases, or both, in the preceding 12 months, or in such part thereof in which such market agency or dealer did business, if any. For the purpose of this computation, 260 shall be deemed the number of business days in any year: Provided, however, That where the principal part of the livestock handled by a market agency or dealer is sold or purchased at public auction the amount of the bond should be not less than the nearest multiple of one thousand dollars (\$1,000) above an amount determined by dividing the total value of the livestock sold or purchased at auction during the preceding 12 months or such part thereof as the market agency or dealer was engaged in business by the actual number of auction sales at which livestock was sold or purchased, but in no instance shall the divisor be greater than 130. In any case, however, the amount of bond shall be not less than two thousand dollars (\$2,000) and when the sales or purchases, or both, calculated as hereinbefore specified, exceed fifty thousand dollars (\$50,000) the amount of the bond need not exceed \$50,000 plus 10 per cent of the excess. Whenever the Director finds any bond required hereinunder to be inadequate, such bond, upon notice, shall be adjusted to meet the requirements of this section. If a person applying for registration as a market agency or dealer has been engaged in the business of handling livestock in such capacities prior to the date of the application, the value of the livestock so handled shall be used in computing the amount of bond in accordance with the provisions of this section.²⁰

²⁰ Ibid., sec. 201.28, p. 7.

The surety on bonds shall be a surety company approved by the Treasury Department of the United States for bonds executed to the United States. Any other form of indemnity which is found by the Director to afford protection substantially equivalent to that of a surety bond may be accepted in lieu of a bond. Fully executed duplicates of bonds or equivalents shall be filed with the Director at Washington, D. C.

Proceeds of sale. No market agency shall pay the net proceeds, or any part of the net proceeds, arising from the sale of livestock to any person other than the owner or his duly authorized agent, except upon an order from the Secretary of Agriculture or a court of competent jurisdiction.

If the secretary finds that any market agency has used for purposes of its own any proceeds derived from the sale of livestock consigned to the auction, such market agency shall thereafter deposit the gross proceeds received from the sale of livestock in a separate bank account designated as "Shippers' Proceeds Account," or by a similar identifying designation. Such account shall be drawn on only for payment of the net proceeds to the person entitled thereto and to obtain therefrom the sums due the market agency as compensation for its services rendered in selling and handling the livestock.

Schedule and notice of charges. Each market agency is required to file a schedule of rates and charges for services rendered with the Packers and Stockyards Division, Livestock Branch, Office of Marketing Services at Washington, D. C. In the event that a market

agency proposes to increase charges it must forward specific and detailed data forming the basis on which the proposed increase is based, together with such additional information as the Director may require. Any increase in charges must be filed with the Director at least ten days before it is to become effective except in the case of a change in charges for feed. In the case of a tariff supplement which relates only to changes in feed charges, the change in charges need be filed with the Director for a period of only two days before it is to become effective. The tariff supplement for feed and the effective date for changes in the feed charges are more flexible than are other charges because the tariff schedule for feed is based on the cost of the feed plus a specified margin; consequently, as the market prices of feed fluctuates so will the tariff.

Accounts and records. Before the close of the next business day following the sale of any livestock consigned to it for sale, each market agency must transmit or deliver to the owner of the livestock, or his duly authorized agent the net proceeds received from the sale and a true written account of such sale showing the number, weight, and price of each kind of animal sold, the name of the purchaser, the date of sale, the commission, yardage and other charges and such other facts as may be necessary to complete the account. In event that the sale operator purchases livestock at his own auction to fill the order of a customer, he must transmit or deliver to the person for whose account the purchase was made, or his duly authorized agent, a true written account of the purchase showing the number,

weight, and price of each kind of animal purchased, the name or names of the person from whom purchased, the date of purchase, the commission and other lawful charges and such other facts as may be necessary to complete the account and show fully the true nature of the transaction.

Each sale operator shall, on request from an owner, consignor, or purchaser, make available copies of bills covering charges paid by the market agency for and on behalf of the owner or consignor which were deducted from gross proceeds of the sale or added to the purchase of the livestock when accounting for the sale or purchase.

No market agency shall give to any person, not authorized by the Director, who does not have an interest in the consignment, any copy of an account of sale or other paper or information which will reveal to such person any of the information shown on the account of sale relating to the price at which livestock was sold and the amount of the net proceeds remitted to the consignor or owner. However, a sale operator may furnish a trucker, hauling livestock for hire, information as to the weight of the livestock in order that the trucker may have the necessary facts on which to base his hauling charges. Also, a market agency may give recognized market news reporting services such information as may be necessary to enable them to report to the public market news data.

The general provisions for accounts and records are stated as follows:

Every . . . market agency, and dealer shall keep such accounts, records and memoranda as fully and correctly disclose all transactions involved in his business, including the true ownership of such business by stockholding

or otherwise. Whenever the Secretary finds that the accounts, records, and memoranda of any such person do not fully and correctly disclose all transactions involved in his business, the Secretary may prescribe the manner and form in which such accounts, records, and memoranda shall be kept, and thereafter any such person who fails to keep such accounts, records, and memoranda in the manner and form prescribed or approved by the Secretary shall upon conviction be fined not more than \$5,000, or imprisoned not more than three years, or both.²¹

Trade practices. Regulations under the Packers and Stockyards Act provide that no market agency engaged in the business of selling and buying livestock shall give any trucker delivering livestock for owners or consignors any gratuities, money meals, or things of value except advertising novelties having a total value not in excess of twenty-five cents. It is provided, however, that such regulation does not preclude loans by a market agency to a trucker or shipper of livestock which are evidenced by an interest-bearing note, properly secured, and having a definite due date.

Whenever livestock consigned for sale on a commission basis is offered for sale at auction and is bought by the auction company, the facts regarding the transaction are to be publicly announced by the market agency at the conclusion of the transaction. This does not, however, preclude the bona fide owner or consignor of the livestock from exercising such rights as are conferred on him by the laws of the State, in which the auction market is located, relating to sales of livestock at auction.

²¹ Ibid., sec. 401, p. 24.

Under the regulations of the Packers and Stockyards Act, an auction operator is allowed to solicit consignments of livestock for his auction; however, he is not allowed to make a guarantee to the consignor or owner that the livestock will be sold at a specific price or prices if consigned to his auction. In other words, it is not lawful for the auction operator to guarantee a minimum price to the owner of the livestock.

Services. Each market agency shall employ only competent persons to operate scales for weighing livestock for the purpose of purchase and/or sale. Employees are to be required to operate the scales in accordance with instructions of the Director. Scales are to be tested and inspected at suitable intervals in accordance with instructions of the Director.

Market agencies are required to furnish adequate accommodations for the public to see and place bids on livestock offered for sale at auction but only those persons whose presence is necessary to the proper handling, buying and selling of the livestock shall be permitted in the auction ring while the auction is in progress.

STATE ASSOCIATION²²

The community sales' operators in Kansas formed a state association known as Kansas Livestock Auction Sales. This organization was formed in an informal manner in 1939 when a small group of some

²² E. W. Schofield, Secretary, Kansas Livestock Auction Sales, Hiawatha, Kansas, "Personal Interview," October 14, 1951.

thirty sales operators met and agreed to form a state wide organization that would be open to all licensed operators that might desire to join.

The organization was formed primarily for legislative protection and to promote the interest of the community sales in Kansas by a close cooperation of all auction markets. There was a general feeling among sale operators that the terminal markets were, at least to some degree, instrumental in trying to introduce legislation that would put them out of business. It was felt that, if the auction markets would join forces in the form of a closely knit state organization, it would be much easier to protect themselves from any pressure that might be applied by the terminal markets in the form of lobbying at the state legislature.

The organization consists of a president, vice-president, secretary-treasurer, and one vice-president from each congressional district in the state.

The officers of Kansas Livestock Auction Sales are elected at the annual meeting which is held on the first Friday in September of each year. The place of the annual meeting is designated by the president and vice-presidents of the organization. It is usually held at a central point within the state. Salina and Topeka have been the most frequently chosen locations for the meetings.

Any licensed community sale in the state may become a member of Kansas Livestock Auction Sales. There is an annual membership

fee of ten dollars. If any member fails to pay his membership fee, he ceases to be an active member of the organization.

In order to meet expenses incurred in the promotion of the common interests of the community sales, the members of the Kansas Livestock Auction Sales contribute to a "fund." Contributions are sent to the secretary-treasurer each month and are based upon the volume of livestock sold during the month. Each member contributes one-half cent per head for all horses, mules, and cattle sold and one-fourth cent per head for all hogs, sheep and goats sold during the month.

CHAPTER III¹

SALINA SALES PAVILION

As indicated earlier in this thesis, several factors played an important part in the selection of the Salina Sales Pavilion as a "model" for study.

Salina is a distributing and shopping center as well as a commercial gateway for northwestern Kansas, hence the Salina Sales Pavilion is in a strategic business location. The Pavilion has additional locational advantages in that it is served by four major railroads; namely, the Union Pacific, the Santa Fe, the Missouri Pacific, and the Rock Island. Salina is also served by truck lines, both large and small, that operate on United States Highways Forty and Eighty-one which junction near the location of the Salina Sales Pavilion.

The Salina Sales Pavilion is located in the northwest section of Salina adjacent to the city limits where Highway Forty enters the city. The general appearance of the Pavilion is pleasing, being of white frame construction with large adjoining pens, buildings, and ample parking facilities; encompassing, altogether, approximately forty acres. The Pavilion is readily accessible to Highway Forty, having a paved entrance directly off the highway which provides direct, all-weather facilities for loading and unloading livestock.

¹ A. R. Wilson, Owner and operator, Salina Sales Pavilion, Salina, Kansas, "Personal Interview," November 24, 1951.

The Salina Sales Pavilion was acquired by the present operator in 1931. Legal regulations on the state level were practically non-existent at that time and the Packers and Stockyards Act of 1921 provided the only federal regulation. The Salina Sales Pavilion was the first auction sale company in Kansas to be placed under federal bond; being bonded in 1934. At the present time the Salina Sales Pavilion operates under a \$54,000 federal bond. This is, of course, in addition to the \$2,500 bond required by the state.

Due to the tremendous volume of truck, trailer, and passenger car traffic in relation to the Sale's operation, a parking lot is provided with a full time attendant. Automobiles are parked on a chalked grid system, front bumper to front bumper. Trucks are parked so as to facilitate the loading and unloading of livestock; also so as not to block the entrance to the highway. At the present time it is estimated that trucks haul from seventy-five to eighty per cent of the livestock that is sold through the Salina Sales Pavilion.

Receiving. Loading and unloading docks are so arranged as to accommodate several vehicles at any given time. The docks are of concrete construction with steel rims around the top to prevent possible damage from trucks that are either loading or unloading livestock. Several alleyways lead from the docks to adjoining pens. Because of the height of the dock being equal to the average truck height, alleyways are inclined at approximately fifteen to twenty degrees. Alleyways are of concrete floor construction, furrowed to prevent livestock from slipping. The sides of the alleyways are

of double construction, i.e., heavy planks are secured to oak posts, both inside and outside the posts. The posts are set into the ground approximately four or five feet with about six feet remaining above the ground level.

When livestock is received, it is counted off the truck by both the receiving agent and the trucker. As soon as the livestock leaves the trucks it becomes the Sale's responsibility. Immediately after the livestock is unloaded a receiving bill is made out in triplicate. One copy remains in the receiving agent's office, one copy accompanies the livestock to the auction ring, and the remaining copy is given to the trucker. The receiving bill is of such a nature so as to prevent separate consignments of livestock from becoming intermingled.

The receiving bill contains specific information regarding the consignor or owner of the livestock; destination of livestock; the origin of the livestock, i.e., county and state; the make of the truck; the license number of the truck; the name of the driver and his operator's license number; a signed statement by the owner that the livestock do not have a contagious disease nor have they been exposed to a contagious disease; and signature of the owner and his official address.

After the livestock is unloaded, it is assigned to pens that will accommodate the specific shipment. No specific system of penning is followed; however, a yard ticket is placed in a metal, weatherproof box on the pen gate to identify the shipment.

Pens and sheds. The Salina Sales Pavilion has approximately four hundred holding pens plus several sorting pens. Quarantine pens are provided to isolate livestock that have or have been exposed to a contagious disease or diseases. Pens are constructed of heavy two-inch planks. All pens are concrete floored and of such a design as to prevent livestock from slipping when the concrete becomes wet. Pens are well lighted with lights suspended from large poles approximately twenty-five feet above the ground. The lights are arranged so that the distance between light poles does not exceed twenty-five feet. Lights are of a suitable wattage so that night operations may be carried out without difficulty or delay.

As a service to patrons and to protect livestock that are received in inclement weather, the Sale provides facilities for sheltering livestock. A large barn is provided for penning small calves and other livestock that may need special care. Hogs are penned in much the same manner as calves inasmuch as they have a sheltered pen; however, this is chiefly for protection from summer heat. A large shed, approximately six hundred feet long, provides an excellent windbreak for a major portion of the penning area and adds immeasurably to the general comfort and safety of livestock, both summer and winter. Facilities and pens for branding and dehorning are provided the customer; however, a customer must pay for the services of a sales pavilion employee if the employee helps him brand or dehorn. Otherwise this facility is free of charge.

Restaurant. The main building of the Salina Sales Pavilion, which resembles a hexagon in shape, houses both the auction ring and restaurant. The restaurant was provided with the view in mind that it was to be a service and/or convenience to both employees and customers. As the auction ring is not readily accessible to downtown Salina, much time and effort would be expended for customers and employees to travel to a downtown restaurant. Customers are grateful for this convenience as they may eat while waiting for their cattle to be sold or for cattle of the type they desire to purchase to enter the ring. The restaurant is so constructed as to permit customers a full view of the auction ring; one side being completely glass enclosed. It is possible and many times a person does actually buy cattle while he is eating. Many bids are received directly from the restaurant. The floor of the restaurant is situated approximately twelve feet above the level of the auction ring. The restaurant has ample seating space and will accommodate approximately fifty people comfortably. The furniture is of the usual restaurant type and the floors are of tile construction. Meals are of excellent quality and compare favorably with food prices elsewhere. The restaurant is not a separate or added profit making institution. As indicated previously, it is for patron and employee convenience only. As far as is known, the Salina Sales Pavilion is the only livestock auction sale that has a restaurant so constructed in relation to the auction ring as to permit a full view of the auction in action.

Auction ring. The auction ring is so designed as to permit the handling of livestock speedily and easily and at the same time provide the potential buyer with a full view of livestock that he intends to purchase. The auction ring is hexagon in shape, constructed of welded gas pipe set in a concrete base. The base is of such a height as is necessary to prevent small animals from escaping the auction ring. The welded pipes are arranged both vertically and horizontally so as to form rectangles approximately one foot wide and five feet long. The enclosure is about seven feet in height. The floor is made of concrete and is covered with fresh sand prior to each auction. Sand provides a cleaner and firmer footing for livestock and is much easier to remove than straw or other materials. Another advantage of sand over other materials is that sand is fireproof and thus eliminates possible danger from a lighted cigarette being flicked into the ring. The auction ring is well lighted from all sides with flood lights so as to give the buyer every advantage in the selection of livestock. Workers are provided with safety features while they are within the auction ring handling livestock. Several jump stands are provided along the side of the ring so that a worker may escape possible injury when vicious animals are brought into the ring. Each man carries a light, buggy type whip which he uses to move the livestock about within the ring. The three individuals who are actually in the process of moving livestock through the auction ring are a safety factor to one another; i.e., one man is observing actions of the animals at all times.

Seating space for patrons is provided around the auction ring in an amphitheatre style. Four hundred fifty to five hundred people are able to be seated comfortably at any one time. The arena is gas heated and is quite comfortable, even in severely cold weather. Three exits and entrances are provided for patrons; restroom facilities are adequate and comfortable. The auctioneer's box and starter's box are situated so as to face a major portion of the seated patrons. In addition to the auctioneer, the clerk and a relief auctioneer are also seated in the auctioneer's box. Any person who has livestock that is selling within the ring may enter the auctioneer's box for consultation. Otherwise patrons are requested not to enter the ring, the starter's box, or the auctioneer's box while the sale is in progress. Livestock is brought into the ring on the auctioneer's right and make exit to the scales on the auctioneer's left. The auction ring will hold from fifty to seventy-five head of livestock, depending, of course, upon type and size.

The auction in action. When livestock enters the auction ring the yard man presents one copy of the receiving bill to the auctioneer who glances at it briefly and passes it on to the clerk. The starter surveys the livestock, taking into consideration their weight, age, quality, and other facts pertinent to their value under existing market conditions. It takes the starter but a very few seconds to make this survey. After surveying the livestock, the starter announces a starting price which may be based upon head value or hundredweight value, depending upon the manner in which

the consignor wishes his livestock to be sold.² The auctioneer starts his chant with the starter's opening bid. The ring men, in the meantime, keep the livestock moving so that the potential buyers may view them thoroughly. The ring men accept bids and relay them by a short, sharp, shout of "yes" to the auctioneer. Bids are accepted until the highest bidder is no longer challenged and by this token he may become the new owner of the livestock. However, a bidder may refuse to accept the livestock if he so desires. If the livestock is accepted, the clerk passes to the scale man a ticket that designates the consignor, the buyer, the price per hundredweight or head, the sex, color, and other marked physical characteristics that are pertinent to the identification of the livestock. This particular phase of the auction is exceedingly important inasmuch as the clerk's ticket must be accurate and complete. This is especially true in regard to the price and the buyer's name. The scale man weighs the cattle and passes the same ticket into the main office where computations are made to determine the total cost of the livestock to the buyer, the operator's expenses and commission, and the net proceeds that are due the consignor.

Before the livestock leave the scales, the main office issues orders over an intercommunication system to a small booth located at the exit end of the scales where a checker records on a pen

² Note: In the event that the consignor does not designate the method by which he wishes his livestock to be sold, the starter and/or the auction operator will determine the method to be used. The method chosen will be the one which, in the opinion of the operator, will cause the animal or animals to sell to an advantage.

diagram the pen destination of a specific draft of livestock and the new owner's name. The checker issues penning orders over a loudspeaker system and hands an identification slip to a mounted horseman who pens the livestock and deposits the identification slip in a metal box on the pen gate. The cycle of auctioning has been completed; however, certain factors may arise that will change this cycle somewhat.

Many times a draft of livestock will not be bid upon as readily as the auctioneer and starter feel is necessary if the livestock is to bring the going market price. They immediately begin to tell of the livestock's good points, mentioning lack of fill, good breeding, good condition, proper weight and other factors that enter into a higher price range. In many cases the present owner is asked to testify regarding the conditions the cattle have been exposed to such as type of feed, type of pasture, and interval of time since they were loaded on the trucks. To prove that a certain draft of cattle has desirable weight, a representative number, usually ten, is weighed and the weight is announced to the crowd. This is known as catch weight. The ever present desire of the auction operator to obtain the going market price for the consignor is evidenced by these actions. Such actions are also advantageous to the potential buyer in that they reflect the true condition of the animals.

There are times when the auctioneer may ask for smaller raises in the bid than the usual raise so as to get as much as possible before the cattle are sold. For example, a bargain draft of cattle

may have bids raised by fifty cents for each consecutive bid taken by the auctioneer. As it becomes more difficult to raise the bid, raises become less and may progress only five or ten cents for every consecutive bid taken by the auctioneer. On bargain livestock, bidding is, of course, very rapid and one sale may require an interval of time of one minute or less. However, when bids are slow, an individual sale requires a considerable length of time for completion. This is especially evident when large numbers of livestock are included in any one draft being sold.

When bidding is slow, the potential buyer seizes the opportunity to issue a conditional bid. This means that he may ask for the removal of a specific animal, such as a "dead-eye" or a "bob-tail," from the draft or may request that a certain deduction be made from the bid price of the particular draft under consideration. Conditional bids are sometimes accepted without question; however, if the draft in the auction ring be of unusual quality, considerable bargaining may take place between the potential owner and the auctioneer and/or the starter. The auctioneer is, of course, at all times trying to protect the interests of the consignor.

Sometimes the highest bid received is not up to expectations of either the present owner or the auction operator. The present owner is then often asked to give verbal permission that he approves the highest bid before the sale is complete and title transferred. The present owner may refuse to sell, and the livestock will leave the ring without being sold. Then too, the present owner may refuse

at any time to accept the highest bid offered and may arise and call "no-sale" which overrules any bid accepted by the auctioneer. In this case the livestock leave the ring in the title of the original owner. When livestock leave the ring without being sold, the consignor has two alternatives. He may load the livestock and dispose of them elsewhere or he may wait and send them through the auction at the close of the sale. In the event that he chooses the first alternative, he is not financially obligated to the auction company in any manner whatsoever.

Livestock may be shunted from the auction ring while bidding is still in progress to facilitate overall operation of the market. If the selling bid is accepted by the consignor, the livestock follow the same procedure as if the sale were completed before they left the ring. A potential buyer has the privilege of recalling livestock that has left the ring to be weighed if he wishes to re-examine a specific animal or animals, that is, so long as he has an intent to purchase the livestock. However, if the highest bid has been accepted and the auctioneer has relayed the buyer's name to the clerk and the cattle have left the ring, the buyer must accept the livestock without question.

Many times ring men are asked to demonstrate the desirable qualities of an animal or animals under consideration in the auction ring. For example, a cow may be milked in the auction ring to demonstrate the soundness of all quarters of her udder. A horse may be ridden or handled to demonstrate gentleness and/or training. Breeding

and stock animals may be "mouthed" to check their age as declared by the present owner.

Bid signals. A trait of livestock auctions that sets them apart from other types of auctions is the apparent lack of uniform bid signals given by the potential buyers. To the uninformed, buyers exhibit no outward sign when they bid. However, by close observation one may determine the manner in which bids are placed. A slight nod of the head, a wink of the eye, an upraised finger, or a slight movement of the foot may be a signal for the bid receiver to receive an individual's bid. The investigator has witnessed the increasing of bids by the misinterpretation of movements of patrons who had no intention of placing a bid. In this case, the person would inform the bid receiver that he was not bidding at this time. Otherwise a false raise in the bid would be incurred. In the event of a tie-bid the auctioneer immediately closes the bid to all patrons except the tie-bidders. The auctioneer then requests a raise in the bid. Providing this request is not forthcoming, the auctioneer makes the sale to the bidder that he recognized.

Special sales. The Salina Sales Pavilion will at the request of its patrons hold special sales. These sales may be for the selling of select groups of livestock, such as dispersal sales, or special items such as furniture. Since furniture sales are unusual and somewhat troublesome, and are permitted only on the ground that they are a public service, the sale barn operator charges at a rate of five per cent for such sales.

Livestock for a special sale is handled either as a usual sale, i.e., three per cent for the first five hundred dollars and two per cent thereafter; or the pavilion may be leased for a nominal amount to the person desiring the sale. If the sale pavilion and yards are leased to an individual or individuals for purpose of holding a special sale, the lessee or lessees actually conduct the sale; the auction operator furnishes only pen, scale, pavilion, and loading facilities.

Feeder cattle sales. It is the opinion of the present owner of the Salina Sales Pavilion that eighty to ninety per cent of the feeder cattle consigned to this market are purchased by out-of-state feeders and/or feeder buyers. The popularity of the Salina Sales Pavilion as a consigned feeder cattle market reflects the reliability placed on the Sale by the producers of feeder cattle. Producers feel confident that there will be present at the Sale a large number of feeder buyers and that they are certain to obtain the going market price for their livestock. On the other hand, feeders and feeder buyers feel confident that the Sale will provide them with a large selection of feeder cattle that are fresh from the farm or ranch. Because of this confidence, feeders and feeder buyers do not hesitate to travel five hundred or a thousand miles to attend an auction at the Salina Sales Pavilion. Many out-of-state buyers are, indeed, regular customers of this market.

Benefits other than barter. The auction market has resolved itself into more than merely a place for barter. Many patrons meet at the market in purely a social manner and exchange mutual interests.

Private trading in the yards is discouraged. Many people look upon the auction market as a place of educational value. No part of the Salina Sales Pavilion business transactions regarding ring sales is withheld from the general public. However, it must be understood that such information must be gained while the sale is in progress. Business transactions between owner and customer are treated in an ethical manner as is proper for businesses of any type. The Salina Sales Pavilion broadcasts, by radio three times each week, market information, information pertaining to consignments for future sales, and other information that is of interest to farmers and stockmen. The Salina Sales Pavilion does not advertise extensively. It is the opinion of the present owner that a good sale will advertise itself and that an extensive public relations program will soon become so expensive that it will no longer pay for itself.

An unusual feature of this particular auction market is that it welcomes competition from other markets in adjacent trade territory. It is felt that friendly competition will result in better sales for all concerned. This has been carried to such an extent that the auction market operator will refer a buyer to a competitor when he cannot fill the buyer's demand. As a service to buyers and sellers and to insure a higher market price, the Salina Sales Pavilion encourages consigning of livestock by producers rather than having them bring the livestock to the sale unannounced. If the livestock is consigned, the Sale may contact potential buyers and inform them of the type of livestock that will be available at their auction at a given date.

Employees. While employees are not all required to have special training, the owner does desire certain qualities in a sale pavilion employee. He desires intelligence in cattle handling, courtesy to the public, and, above all, that his employee be a person of a very reliable nature. Each man employed by the Salina Sales Pavilion has a considerable responsibility and the correct performance of his duty determines how smoothly and efficiently the Sale operates. Contrary to popular opinion, auctioneers are encouraged to speak clearly and distinctly and are discouraged from engaging in "showy" verbal tactics that would draw attention away from the livestock being sold. Ring men must be very alert to receive bids, sincere, and not overly anxious to "up" bids. Satisfactory working conditions, evidently, prevail for the labor turnover at the Salina Sales Pavilion is very low. Approximately fifteen people, exclusive of the restaurant and office employees, are employed throughout the year. However, sixty-five or seventy individuals are employed at one time or another in any given year. Extra help is especially needed in the fall when the "cattle runs" are exceedingly heavy.

The "key" employees, other than office employees, are those who operate the auction ring proper of which there are about seven in number, namely: the auctioneer, the bid receivers, the starter, the clerk, and the manager. Farm help may be employed on sales days, in the event of an exceptionally large sale, to facilitate livestock handling and selling.

CHAPTER IV

SUMMARY AND CONCLUSIONS

Recent economic trends in livestock marketing indicate that the community sale has enjoyed a phenomenal growth in business volume and popularity. This growth has been brought about by certain factors. The community sales appear to fulfill the desire of the small buyer and seller to have a convenient market for livestock. The development of rapid transportation, especially motor transportation, has undoubtedly contributed greatly to the growth of the community sale. Out-of-state buyers in recent years, by the use of the community sale, have been able to extend greatly their scope of operations and by the very nature of this extension have enjoyed a wider choice of livestock selection to meet their specific needs.

The early history of the community sale is obscure but is thought to have been an outgrowth of the English fairs. As early as 1700, community sales were reported to have been held in New York. As the westward migration in the latter decades of the nineteenth century developed, the auction market moved westward and spread to the Ohio valley and southward through Tennessee and Kentucky. Later it spread into the Nebraska, Oklahoma, and Kansas areas. These early auctions were not restricted to one type of commodity, but served as a medium of exchange for any type of goods a person desired to sell. A great majority of the auction markets of today, however, serve only as a medium of livestock marketing. Most auction sale operators

discourage the use of their facilities to sell goods other than livestock; however, they will hold special auctions, more as a public service rather than as a lucrative venture. Terminal markets have in the past precluded many small farmers and buyers who have wished to enter the business of livestock marketing, either as buyer or seller, but were not able to do so due to the relatively great distances of the terminal market from the source of livestock supply. The great number of community sales in Kansas are so located as to be easily accessible to the major portion of the livestock producers. This factor of accessibility, too, is convenient to the buyer who may purchase livestock that have been transported a relatively short distance inasmuch as livestock sold at a community sale are usually in a physical condition that is superior to livestock that have been transported long distances to a terminal market.

In the recent history of the community sale the major development appears to have been in the 1930's when the Great Depression greatly facilitated a more direct exchange of goods. A parallel of this event was the post-Civil War depression that hurried development of the community sale in the latter part of the nineteenth century. In both cases money was relatively a scarce item and patrons of the community sale were interested in a direct system of barter rather than an exchange through the medium of money. Community sales have resulted in more than an exchange of commodities inasmuch as they have become a focal point for individuals in the trade territory to meet and exchange mutual interests. The community sale serves as

an educational institution in that farmers and stockmen receive knowledge in regard to the sorting and grading of livestock, plus current market trends.

The community sale has not always enjoyed the wide popularity that is apparent at the present time. The Salina Sales Pavilion, when first organized, had to post a \$4,000 federal cash bond to insure reliability in livestock trading. The unusual amount of this bond was due, primarily, to a few community sales who, in the past, had permitted unethical and dishonest practices in regard to livestock trading. The patron has not always enjoyed the protection that he has at the present time. Sale operators favor relatively rigid controls. It is their opinion that such controls increase the buyer's and seller's confidence in the auction market and thus make for an increase in the amount of business done by community sales.

In the early days of the community sale, the trucker who participated in livestock transportation was, in many cases, unreliable and carried neither cargo, cripple, or death insurance on livestock. Mechanical failures of trucks, wrecks, and livestock mix-ups were a rather common occurrence. In some cases, truckers operated with such a low capital that they secured their truck by making a down-payment on the vehicle and started engaging in transportation of livestock. The trucker, hoping to make a small return from his investment, many times underbid an established trucking concern. Very often such a trucker would be forced to retire from competition in a few months, but in the meantime he had transported a sizable

number of livestock and had added to the general public's opinion that the community sales were suffering from the lack of reliable operators. The above mentioned practices contributed greatly to the spread of livestock diseases and noxious weed seed. As the public became more aroused in regard to the unreliable practices of the community sale, the clamor for rigid controls became greater.

In response to the public demand for community sale control, the state of Kansas initiated and passed legislation regarding the regulation of community sales which has proved to be a very popular law. "The Kansas Community Sale Law is recognized throughout the United States as one of merit, and other states are modeling their own laws after it."¹

As mentioned elsewhere in this study, the wide distribution of community sales has proved to be a definite advantage in regard to the shipping of livestock and accessibility to buyers and producers. Terminal markets, by virtue of relatively great distances from producer and buyer, require livestock to be in transit for several days before it reaches its destination. Through the medium of the community sale, livestock may be gathered from the producer's pasture or feedlot, sold through the auction market, and in a new owner's feedlot in a period of less than twenty-four hours. This is especially desirable when calves or any young livestock are in the market cycle.

¹ State Livestock Sanitary Commissioner, State of Kansas, Biennial Report for Years 1949-1950 (Topeka: State Printer, 1950), p. 19.

Death losses are much less and the physical condition of the animals remains equal, or nearly equal, to what it was before they started the market cycle. The community sale has proved to be a dependable source for not only the local replacement and feeder buyer, but, also, the large out-of-state buyer who must fill large and special orders. An absentee order filling system is provided, in many instances, for buyers who cannot attend the sale in person. The advantage of this service is obvious.

The disposal of stolen livestock through the medium of the auction market has, for all practical purposes, been eliminated. This is due, perhaps, to the completeness of records and efficiency of operation of the community sales. To the investigator's knowledge, there is one instance where a thief was identified in less than three hours by tracing the stolen property through the records of several sales; the thief was apprehended in less than twenty-four hours. Such a record is, indeed, commendable and adds to the prestige of the community sale.

Undoubtedly the community sale's reputation has been enhanced by federal and state regulatory statutes. It appears, however, that state regulation has improved the community sale more than federal regulation as the state is more conscious of particular problems that may arise within its immediate area. Federal control, of course, has to be concerned with the overall view and it would be quite impossible for federal regulations to take into consideration problems that would be peculiar to any one state. Obviously, federal bonding

of out-of-state order buyers has added to the reliability of the community sale. Some operators feel that a higher state bond would further improve the community sale's operation.

The investigator feels that an advantage peculiar only to the community sale is the fact that speculator buyers are frequent patrons. Their presence insures the "top-market" price to a producer for his livestock. Thus a producer is assured that he will receive the best possible price for his livestock as speculators are familiar with current market trends and are in a position to pay top prices. The terminal market does not offer this advantage in that their sales are conducted in a private manner between a few, usually two, individuals and does not offer the opinion of many buyers and competitive bidding as does the auction market.

Many community sales are making a conscientious effort to improve public relations. This fact may be seen inasmuch as community sales are making an effort to give market trends and market prices as a free service to anyone who desires such information. Special sales, such as furniture sales, are conducted at many sale barns as a public service. Such sales are not considered, by a majority of the sale barns, to be a regular part of the community sales operation.

Some sale operators feel that if they had more voice in the selection of veterinarians their sales could be conducted more smoothly. However, veterinarians, on the whole, are fulfilling the prescribed sanitary regulations in a satisfactory manner.

The rapid growth of community sales in recent years has precluded any great amount of research. Their economic good to the community in which they are located is proved by their expanding economic dependability and mounting patronage by livestock producers and buyers. It is the opinion of this investigator that the community sale will continue to grow, and, as this growth continues, firmer regulations should be instituted or the community sale may return to the questionable position it held in the early 1930's.

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