Buying and Selling

FEEDER CATTLE IN ILLINOIS . . .

A study of current practices and costs

By WALTER J. WILLS
and R. C. ASHBY

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CONTENTS

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Buying and Selling Feeder Cattle In Illinois

By WALTER J. WILLS and R. C. ASHBY[1]

EVERY YEAR large numbers of cattle move into Illinois pastures and feedlots from out of the state. Every size and breed and quality of cattle from low common to choice and fancy are fed in Illinois. For some cattle feeders this feeding operation is profitable, but for others it is a losing proposition.

Part of the difference between profit and loss is of course accounted for by buying practices. This study was set up to provide a picture of how and where feeder cattle are bought and sold, where they originate, what types of cattle are bought, how they are handled, and what various items of expense, including shrink, freight, commissions, trucking, feed, death loss, etc., make up the cost of handling. On the basis of this information some suggestions have been made as to buying practices which will help the cattle feeder get the most for his money and operate with a safe profit.

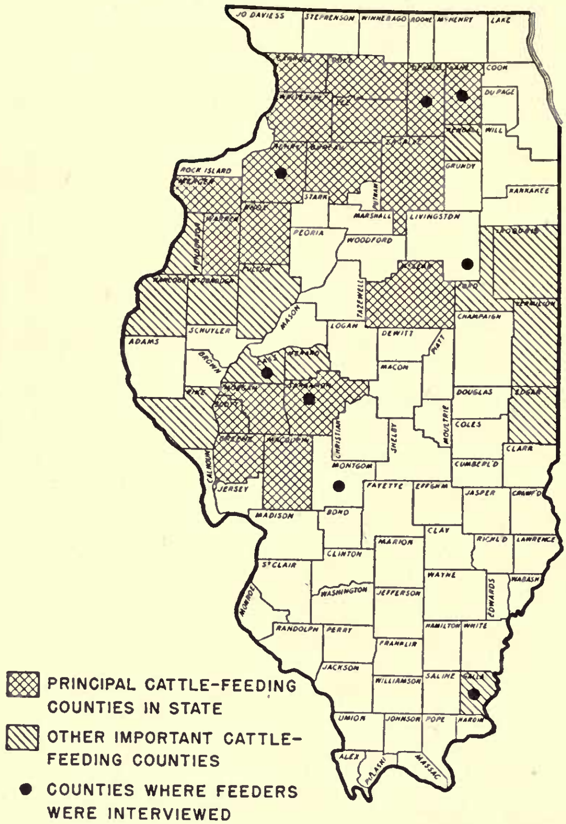
One hundred twenty-three cattle feeders in eight counties (Fig. 1) were interviewed in 1949. Questions asked concerned buying practices for 1948. Also, information was obtained from 28 local cattle dealers, 11 dealers on the terminal market, 8 auction markets, and 5 commission firms, concerning activities in 1947.

MOVEMENT OF FEEDER CATTLE INTO ILLINOIS

Illinois farmers most commonly buy their feeder cattle (1) at public (terminal) markets, either from dealers or through commission agencies; (2) from local dealers; and (3) directly from the farm or range. A number of cattle are also bought at livestock auctions.

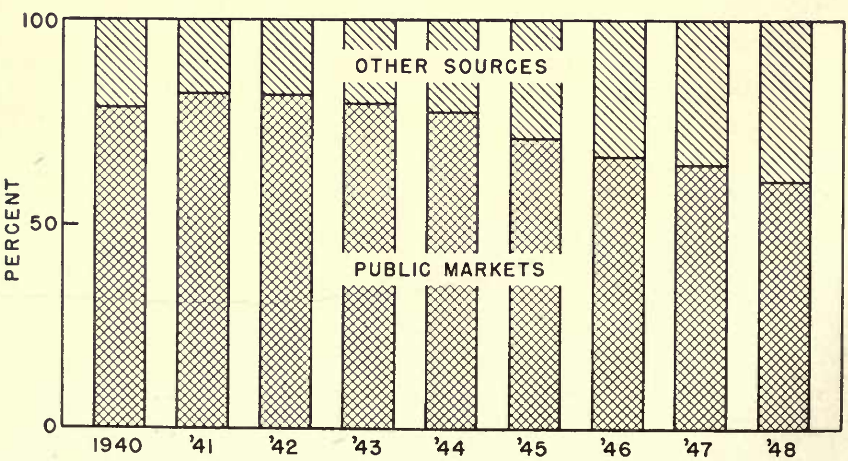
Local dealers buy some of their cattle on the public market, so that altogether more than half of the feeder cattle moving into Illinois go through these markets. As can be seen from Fig. 2, however, the percentage of cattle moving to the farm in other ways than through the public market increased from 1941 to 1948. This probably resulted

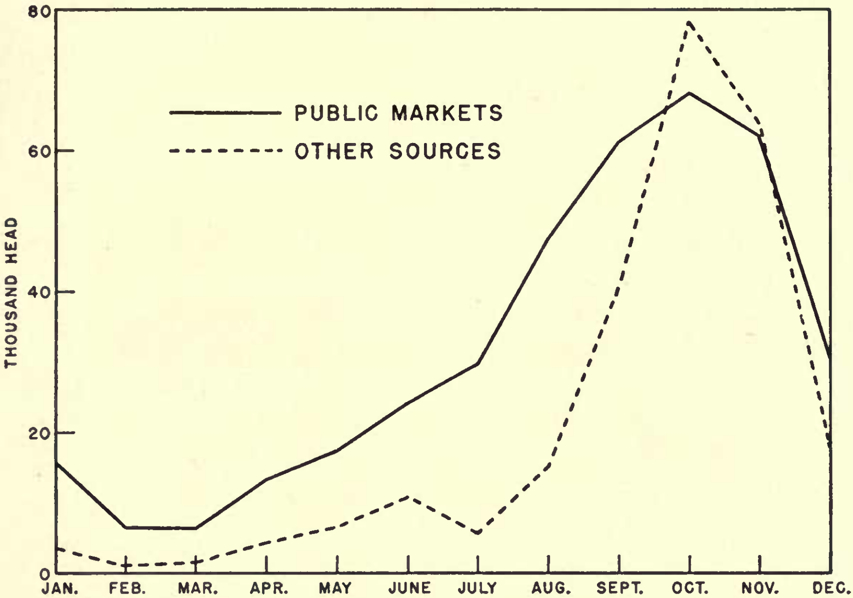
[1] WALTER J. WILLS, Assistant Professor of Livestock Marketing, and R. C. ASHBY, Professor of Livestock Marketing. Various members of the Animal Science Department assisted in preparing questionnaires.



(Left) Important cattle-feeding counties in state, and counties where feeders were interviewed for this study. Feeding is heaviest in the northwestern part of the state. (Fig. 1)

(Below) Percent of feeder cattle purchased by Illinois buyers that came through public markets, and percent that came from other sources, 1940-1948. (Data from "Livestock Market News, Statistics and Related Data, 1948." U. S. Department of Agriculture, August, 1949, p. 21.) (Fig. 2)



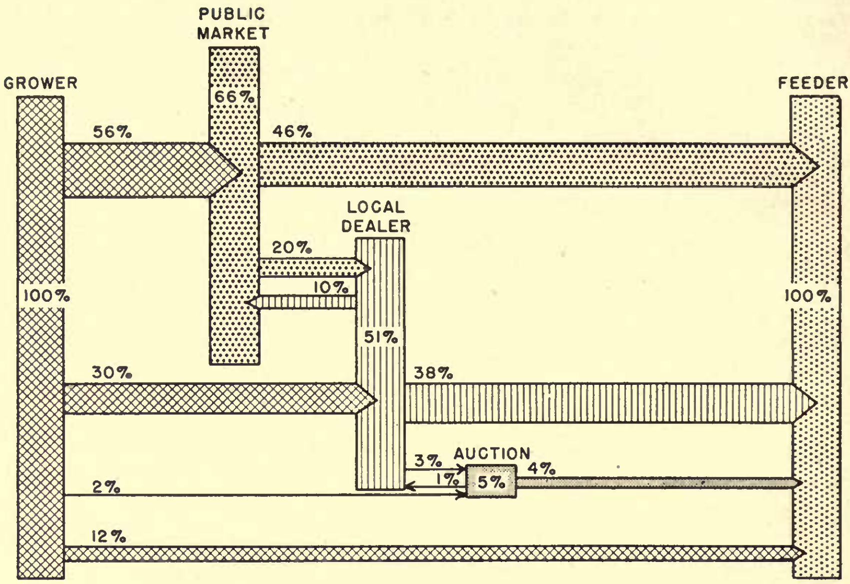


Number of feeder cattle that moved into Illinois through public markets and number that came from other sources, by months, 1948. (Data from "Livestock Market News, Statistics and Related Data, 1948." U. S. Department of Agriculture, August, 1949, p. 21.) (Fig. 3)

from an increase in the number of cattle handled by local dealers without going through the market, rather than in any increase in the movement directly from range to farm.

Fig. 3 shows the number of feeder cattle and calves coming to Illinois through public markets and through other channels by month during 1948. The public markets are relatively most important as a source during months when movement of cattle is least. Many dealers and auctions do not operate during the winter, although some dealers operate on a year-round basis and some auctions sell feeder cattle nearly all year.

A more accurate picture of the movement of feeder cattle to Illinois farms is shown in Fig. 4. The percentage figures indicate the importance of various sources of supply of feeder cattle to the Illinois feeder and the many different agencies handling cattle. Thus, on the basis of available information, 56 percent of the cattle fed in Illinois were first consigned to public markets. Local dealers furnished another 10 percent, so that altogether 66 percent of the cattle went through the market. Most of these cattle (46 percent of the total) were bought by feeders. Twenty percent were bought by dealers.



Channels through which feeder cattle moved into Illinois feedlots, 1947-48. (Data obtained from the present survey.) (Fig. 4)

Most of the cattle moving into Illinois go directly from the farm or ranch to the public market or the dealer, and then on to the feeder. But, as shown by Fig. 4, a considerable percentage of the cattle gets shunted back and forth between the public market, local dealers, and auctions. Some cattle may change hands as often as five or six times before reaching the feeder. It is of course to the feeder's advantage to have the animals reach the feedlot as quickly as possible.

In the year ending June 30, 1947, the Kansas City, South St. Paul, and Chicago stockyards furnished 73 percent of the cattle coming to Illinois feeders through public markets. The markets at Kansas City and Omaha are sources of good to choice cattle; those at South St. Paul, of reds, roans, and good-doing medium cattle; those at East St. Louis, of good-doing southern and southwestern cattle. Chicago is a source of "warmed up" and heavy feeder cattle, as well as of all other classes and grades of feeder cattle.

From July 1, 1946, to June 30, 1947, Texas, Nebraska, Montana, and Wyoming furnished 71 percent of the cattle moving into the state direct. While more Texas cattle move into Illinois feedlots in the fall than in the spring, the percentage of cattle coming from Texas is higher in the spring.

The largest movements of feeder cattle are normally in the fall. Illinois farmers have found that generally they can buy cattle in the fall, rough them through the winter, then place them on pasture cheaper than they can buy comparable-quality cattle in the spring for pasture. In the first part of the year some tail-end calves and some warmed-up cattle are purchased. In the second quarter of the year purchases are for pasture.

USES MADE OF VARIOUS SOURCES OF SUPPLY

Table 1 shows where the 123 cattle feeders interviewed for this study bought their feeder cattle. Altogether they bought 270 lots in 1948. Fig. 5 shows where these cattle originated.

Table 1. — Number of Lots of Cattle of Various Grades Purchased From Various Sources by 123 Illinois Cattle Feeders in 1948

Source	Medium	Good	Good-choice	Choice	Total
Public markets	28	30	38	4	100
Local dealers	33	53	24	0	110
Auctions	15	9	5	1	30
Farmers and ranchers	11	11	4	1	27
Neighbors	0	0	3	0	3
Total	87	103	74	6	270

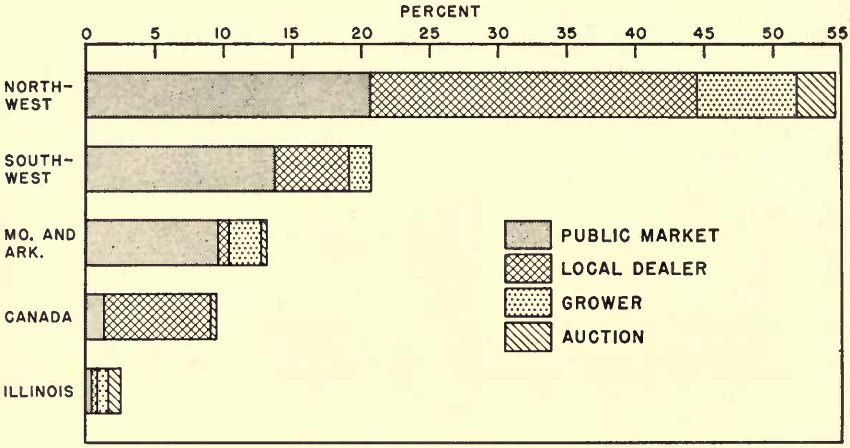
Following are brief discussions of the origin, type, and age of cattle purchased at the various sources; size of lots; time of heaviest buying; and methods of hauling animals to the farm. General statements as to the quality and weight of animals purchased at different sources may be found on pages 11 and 12.

Public Markets

The feeders reported that, of the cattle they bought at public markets, 30 percent were from the Southwest, 22 percent from Illinois, Missouri, and Arkansas, and the rest from the northwestern United States[1] and Canada. Lots tended to be large — 42 percent had 51 head or more. Buying was heaviest during September and October.

Sixty-five percent of the cattle were steers, and 26 percent calves. Nearly half (49 percent) were two-year-olds and older. Almost all the

[1] In this study the northwestern states were considered to include Nebraska, Colorado, Montana, Wyoming, Idaho, North and South Dakota, and Minnesota.



Percentage of cattle moving to 123 feeders from each area of origin and through each source of purchase. (Fig. 5)

cattle (98 percent) were purchased by weight rather than by the head. Usually the animals were hauled from the market or unloading point in hired trucks; 90 percent were hauled in this way, while the other 10 percent were hauled in the buyers' trucks.

Local Dealers

Most of the cattle which these feeders purchased from local dealers (62 percent) came from the northwestern United States. Twenty-one percent came from Canada, 15 percent from the Southwest, and only 2 percent from Illinois, Missouri, and Arkansas. On the whole, cattle were purchased from local dealers in smaller lots than those purchased on the public markets. Thirteen percent of the lots consisted of 51 head or more, while 51 percent consisted of 26 to 50 head. The peak of buying came in November — nearly one-third of the cattle were bought during that month. Fifty-eight percent were bought in September, October, and November.

Sixty-nine percent of the cattle purchased were steers, and 11 percent calves. Twenty-four percent were two-year-olds and over. Only 1 percent were purchased by the head — the rest were purchased by weight. Hired trucks hauled 84 percent of the cattle to the farm; sellers' trucks hauled 13 percent; and buyers' trucks, 3 percent.

Ranchers and Farmers

Sixty-two percent of the cattle that the feeders bought directly from the rancher or farmer came from the Northwest. Ten percent came from the Southwest, and 28 percent from Illinois or Missouri.

A large number of the lots were fairly small, 44 percent having 20 head or less. Thirty-seven percent of the lots were 51 head or more. October was the month of heaviest buying — 62 percent of the cattle were purchased then. Forty-six percent of the cattle were steers and a like number were calves. Thirty-six percent were two-year-olds and over. Most of the animals (98 percent) were bought by weight. Hired trucks were used to haul 94 percent of the cattle to the farm.

Auctions

Seventy-two percent of the cattle purchased at auctions came from the Northwest and Canada; 22 percent from Illinois; and 6 percent from Missouri. Most of the lots were small, 53 percent having 10 head or less. Seventeen percent were 26 head or more. Nearly half (42 percent) of the cattle were bought in September.

Forty-eight percent were steers; and 36 percent, calves. Twenty-four percent were two-year-olds and over. Buying by the head was more common than when cattle were purchased from other sources: 16 percent were bought in this way, while 84 percent were bought by weight. Twenty-six percent were hauled to the farm by buyers' trucks, 12 percent by sellers' trucks, and 62 percent by hired trucks.

Feeders Tend to Return to Same Source

Despite the slight trend toward other sources than public markets (Fig. 2), there is still a strong tendency for feeders to return to the same source from year to year. The dealers on the public market who were interviewed for this study reported that 97 percent of the lots they sold were to feeders who had previously bought from public markets.

Of the 110 lots bought from local dealers by the feeders interviewed for this study, 84 percent went to feeders who had bought from local dealers before. Sixty-seven percent of the lots bought at auction and 93 percent of the lots bought from growers were bought by feeders who had previously used these sources.

The 123 feeders were also asked whether they intended to buy from the same source again. Ninety-nine percent of the lots from terminal markets, 90 percent from dealers, 81 percent from auctions, and 96 percent from growers were purchased by feeders who indicated they would again buy from this source.

OTHER BUYING PRACTICES

Most feeders had a certain program in mind before buying cattle. They looked for cattle that would best utilize available feeds and fulfill other preferences. Those who wanted a quick profit bought heavy cattle and looked for something with enough flesh for a quick turn. Those interested in the safest feeding proposition were handling calves. Some feeders preferred heifers because they finish out more rapidly. Feeders who bought from growers did so because they thought they would get healthier animals.

Many cattle feeders handle the same type of cattle each year, while others change from year to year as conditions change. In this study 16 of the lots bought from auctions, 43 lots purchased at public markets, 59 lots purchased from dealers, and 17 of the lots purchased from growers and neighbors were bought by cattle feeders who follow the same program each year. Some said they bought the same type of cattle each year but varied the handling methods, depending upon the feed situation, outlook, etc. This was particularly true of calves and light yearlings.

Most Illinois cattle feeders like to see cattle before buying. Of 100 lots of cattle bought at public markets, 59 were inspected by buyers and 41 were not. Although 58 of these 100 lots were bought through commission firms, the buyers inspected 31 of the 58 lots before buying. All lots but one purchased at auction were inspected before buying. Of 110 lots of cattle purchased from local dealers, 106 were inspected before buying. Twenty-four of 27 lots purchased from growers were inspected before buying.

Table 2. — Quality of Different Age-Groups of Cattle Purchased by 123 Illinois Cattle Feeders
(270 lots)

Age-group	Percentage of lots that were—			
	Medium	Good	Good-choice	Choice
Calves	11.3	34.0	52.8	1.9
Yearlings	39.0	43.1	15.8	2.1
Two-year-olds and over	31.2	37.6	28.0	3.2

Over 97 percent of the cattle were purchased by weight. Most of the cattle bought by the head were cows with calves by the side. A few local cattle were also bought this way. Cattle purchased at public markets were bought on market weights, but pay weights were commonly used when buying from local dealers (page 15).

Quality of Cattle Purchased

Table 1 (page 7) shows the quality of cattle bought from different sources. Of the regular sources of supply, public markets furnished the highest percentage of cattle of good-choice quality or above. A comparison was made between the quality of lots purchased from local growers and those purchased from out-of-state growers. (In this analysis the three lots from neighbors were classified according to the state they came from originally.) A higher percentage of out-of-state cattle than of local cattle was good or above. While this sample is too small to warrant drawing definite conclusions, other observations indicate that on the whole cattle purchased out of the state are higher in quality than those purchased in the state. Local growers usually prefer to finish their high-quality cattle themselves.

As shown by Table 2, calves purchased were of higher quality than were yearlings. Over half the calves were good-choice or choice, while only 18 percent of the yearlings were in these classifications. Exactly the same percentage of two-year-olds were good-choice and choice as were of medium grade. Whether they were of high or low quality depended on the feeding program to be followed. Table 3 (page 13) shows quality in relation to weight of animal and time of purchase.

Weights and Breeds of Cattle Purchased

In recent years cattle purchased have tended to be lighter in weight than in the past. On January 1, 1948, Illinois feeders reported the following weights for cattle on feed: under 600 pounds, 21.9 percent; 600 to 900 pounds, 68.4 percent; 1,100 pounds and over, 9.7 percent.[1]

In this survey 5 percent of the cattle weighed less than 400 pounds when purchased; 23 percent, 400 to 599 pounds; 38 percent, 600 to 799 pounds; 27 percent, 800 to 999 pounds; and 6 percent, 1,000 pounds and over. One percent were cows and calves. Six percent of the heifers

[1] Information furnished by A. J. Surratt, Agricultural Statistician, Illinois State Department of Agriculture, Springfield.

and 50 percent of the steers weighed over 800 pounds when purchased. Cattle weighing over 1,000 pounds are usually two-way cattle that can go to the feedlots if the outlook is favorable, or else go to the packer.

Animals purchased directly from the grower or at auction were usually light calves and heavy cattle. Public markets handled more heavy than light cattle, their importance as a source increasing with the weight of the animal. Local dealers handled a higher percentage of 400-to-999-pound cattle than did other agencies.

Sixty-two percent of the cattle originating in Illinois weighed less than 600 pounds. In this weight group also were 28 percent of the cattle from Missouri and Arkansas, 50 percent of the cattle from the Southwest; 22 percent of the cattle from the Northwest; and 4 percent of the Canadian cattle. In the 600-799-pound group were 20 percent of the Illinois cattle; 23 percent of the Missouri and Arkansas cattle; 17 percent of the cattle from the Southwest; 46 percent of the northwestern cattle; and 60 percent of the Canadian cattle.

Sixty-five percent of the cattle purchased were Herefords, 7 percent Shorthorns, 5 percent Angus, and 23 percent mixed breeds. The Shorthorns came from Canada and the Northwest, while the Angus came largely from Illinois and Missouri. Nearly all southwestern cattle and 74 percent of the northwestern cattle were Herefords.

Time of Buying

Farmers interviewed generally gave two reasons for buying cattle at a specific time of year: (1) the feed and farm programs were set up to handle cattle at that season, and (2) the type of cattle which would efficiently fit into their farm program were available.

As already mentioned (page 7), buying of feeder cattle is normally heaviest in the fall. This pattern is evident in Table 3, which shows the percentages of cattle of different weights and grades that were purchased in each quarter of the year. These figures do not include 109 cows and calves.

The heaviest movement of heifers was in September, and of other classes, in October. In the first quarter of the year 40 percent of the cattle came from the Southwest, and 43 percent from the Northwest. In the fourth quarter, 12 percent came from the Southwest, and 57 percent from the Northwest. Imports of Canadian cattle were restricted until August 16, 1948, but after this the movement from Canada was quite heavy. On these cattle an import duty of $1.50 per hundred was paid.

Table 3. — Grade and Weight of Cattle Purchased Each Quarter by 123 Feeders in 1948
(270 lots)

Weight (pounds)	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Total
Percent of lots grading good and choice					
Under 600	.4	2.0	6.8	14.0	23.2
600-799	1.9	1.1	8.2	12.2	23.4
800-999	3.5	1.7	7.1	7.3	19.6
1,000 and over	...	...	4.3	1.7	6.0
Total	5.8	4.8	26.4	35.2	72.2
Percent of lots grading medium					
Under 600	...	.4	1.9	2.5	4.8
600-799	1.5	.4	3.7	9.3	14.9
800-999	...	...	3.0	4.2	7.2
1,000 and over	...	.4	...	.5	.9
Total	1.5	1.2	8.6	16.5	27.8

AGENCIES INTERESTED IN MOVEMENTS OF FEEDER CATTLE

Many agencies make up the system that moves feeder cattle from the ranch or farm to the feedlot. Handling livestock may be their chief function, or it may be incidental to another business.

Nearly every community has at least one type of operator interested in the movement of feeder cattle. Frequently the local trucker will buy and sell a few feeders, partly because of the extra hauling it gives him and partly to earn a trading profit.

Cattle Dealers

Some cattle dealers operate on a very large scale, handling several thousand head of cattle each year, with large yards, feeding pens, etc., to permit year-round handling. They buy and sell cattle wherever and whenever they see the possibility of making a profit — at public stockyards, direct from the producer, at auctions, or from other dealers. They own the cattle outright. Consequently the margin between buying and selling price must be large enough to cover such items as death loss, feed, etc., as well as to make up any possible future losses that may result from price declines.

Fig. 6 shows the location of the principal dealers in the state. As would be expected, dealers are most numerous where feeding is heaviest (Fig. 1).

Local dealers. In 1947, 28 local dealers in Illinois reported handling 181,642 feeder cattle and calves — an average of 6,487 head per dealer. As can be seen by the following figures, one-third of the dealers handled fewer than 1,500 head per year:

Number of head handled per year	*Number of dealers*
Under 500	5
500–1,499	4
1,500–4,499	10
4,500–14,999	5
15,000 and over	4
Total	28

Fifteen percent of the animals handled were calves, and the rest were older cattle. When asked to evaluate the quality of the animals they handled, the dealers indicated that the calves were of better quality than the older cattle. Their answers are tabulated below:

Quality	*Cattle (percent)*	*Calves (percent)*
Choice	28	37
Good	48	47
Medium	22	15
Common	2	1
Total	100	100

Fifty-five percent of the older cattle and 60 percent of the calves were reported to have come from Texas, New Mexico, Montana, Wyoming, and Colorado. Practically all feeder cattle and calves were purchased by the dealers by the pound.

Only a little over 1 percent of the cattle and 6 percent of the calves were delivered to

Location of principal cattle dealers in 1948. While this is not a complete listing of all cattle dealers in Illinois, it shows that dealers are most numerous where feeding is heaviest. (Fig. 6)

Table 4. — How Price Was Determined for Feeder Cattle and Calves Bought by 28 Local Dealers and 11 Public-Market Dealers in 1947

Method of determining price	Bought by local dealers		Bought by terminal-market dealers	
	Cattle	Calves	Cattle	Calves
	perct.	*perct.*	*perct.*	*perct.*
Priced and weighed on delivery to dealer	2.5	5.0	.5	3.1
Priced at farm or ranch but weighed on delivery	1.3	3.7	0	0
Priced at farm or ranch and weighed there or nearby	69.3	73.7	28.0	39.3
Priced and weighed at market where purchased	26.9	17.6	71.5	57.6

dealers' yards by truck; the rest arrived by rail. All the truck receipts were within a radius of 200 miles; nearly all the rail shipments were from more than 200 miles. Sixty-seven percent of the cattle and 70 percent of the calves received by rail moved 750 miles or more. Only 5 percent of the cattle and 3 percent of the calves left the dealers' yards by rail. The rest were shipped by truck.

The dealer most commonly bought the cattle on the farm or ranch and weighed them either there or at a nearby shipping point (Table 4).

Local dealers said that in 1947 they sold over 53 percent of the cattle and 76 percent of the calves on "pay weights" (weights taken when the cattle were bought at the ranch). In 1948 cattle feeders reported they had been charged on pay weights for 67 percent of the cattle and calves they bought from dealers. When cattle are sold on pay weights, the feeder assumes the losses in weight from time of purchase on the ranch to resale. Also, the selling price is high enough to cover the other costs incurred by the seller, such as freight and feed consumed en route.

Buying on pay weights means that one cattle feeder may get much less for his money than another. Assume, for example, that a dealer gets ten carloads of calves whose average purchase weight is 500 pounds. Farmer A buys 50 of them, paying for 25,000 pounds of calves, but actually, because of shrinkage, receiving only 22,000 pounds. Farmer B buys the same number on the same basis but actually gets 23,750 pounds. Assuming they pay the same price per pound, Farmer B has of course a much better buy.

If the cattle are sold on local weights, the price is high enough to cover shrinkage, but the cost of the shrinkage is distributed equally among the different buyers. In the above example, if there had been an average shrink of 50 pounds, Farmer A would have paid somewhat less than the price he paid on pay weights, and Farmer B would have paid more. Other feeders, however, might have paid the same price on local weights as on pay weights.

Two other points to consider when buying cattle on pay weights are the accuracy of the scales used and the condition of the cattle when weighed. If scales are not tested frequently by competent, impartial testers with adequate test loads, large discrepancies, in favor either of the buyer or of the seller, may occur. Also, the weight registered may vary considerably with the distance the cattle were walked before weighing, the time of last watering and feeding, and the amount of the last feeding.

Many Illinois cattle feeders are dissatisfied with buying cattle on pay weights. The usual argument against pay weights is that, even though the total cost for a given shipment of cattle may be the same as on local weights, the farmer buyer is entitled to know the weight he is buying and the local cost of such weight. In the 1947 and 1949 sessions of the state legislature a bill presented to the agricultural committee provided that if a seller makes more than three sales a year, the sales must be by weight on day of sale rather than some previous weight (pay weight). At present writing (March, 1950) this bill has not come before the house.

The dealers had no definite policy guaranteeing the buyer against death loss. Some sellers made the loss good if death occurred within 24 hours after purchase. Otherwise the buyer assumed the risk.

Public market dealers. Eleven dealers on the markets at Chicago, Peoria, and National Stockyards furnished information on their operations. In 1947 they handled 244,538 feeder cattle and calves. Of these, 82 percent were cattle and 18 percent were calves.

The average number of head handled per firm was 23,139. Two of the firms handled less than 4,500 head, two 4,500 to 14,999 head, and the other seven 15,000 head or more. Seventy-one percent of the calves and 60 percent of the cattle were purchased at farms or ranches, the rest on public markets. Origin of 53 percent of the cattle was not known, but 30 percent were known to be from Arkansas, Louisiana, and southern Missouri. Twenty-nine percent of the calves were also from these states, and 40 percent were from Texas. Most of the cattle and calves from Arkansas, Louisiana, and Missouri were sold on the National Stockyards.

The means of moving 32 percent of the cattle and 22 percent of the calves from the yards was not known, but 55 percent of the cattle and 52 percent of the calves were known to have moved out by truck, and 13 percent of the cattle and 26 percent of the calves by rail.

These dealers purchased and sold all feeder cattle and calves on a pound basis. Most of the cattle and calves bought were priced and weighed at the market (Table 4). Fifty-one percent of the calves and 17 percent of the cattle were sold on buying weights; the rest on local weights at time of sale. Three firms financed some feeder sales in 1947.

These dealers indicated they handled a lower average quality than did the local dealers. Judging from observations and comments from various feeders, it is probable that they evaluate quality more accurately than the local dealers.

Auctions

Auctions provide facilities for buying and selling livestock. The owner consigns the livestock to the auction. He pays transportation to the sales barn and absorbs shrinkage, death loss, etc., until the livestock is sold. From the selling price he must also pay the auction fee. This includes the selling operation plus weighing (if sold by weight), penning, and sometimes hay and water. Auctioneers and other persons connected with the auctions often buy and sell cattle through their own auction sales.

Fig. 7 shows the location of livestock auctions in the state. Eight of these auctions were visited to obtain information on their methods of operation. Four were owned by individuals, three by partnerships, and one by a corporation.

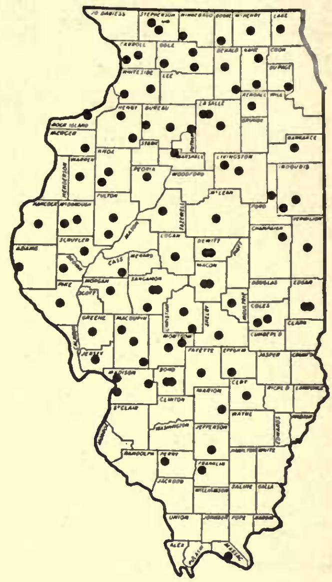
The following figures show the ownership of the feeder cattle and calves sold at the eight auctions during one year (1947):

Owner	*Cattle (percent)*	*Calves (percent)*
Ranchers or farmers	26.4	33.5
Illinois livestock dealers	38.7	32.8
Local auction employees	10.0	6.8
Others (mostly out-of-state dealers)	24.9	26.9
Total	100.0	100.0

Ninety-two percent of the cattle and 97 percent of the calves were delivered to the auctions by rail. Of the animals received by rail, 65 percent of the calves and 69 percent of the cattle had been shipped 750 miles or more. Ninety-seven percent of the calves brought by truck came from within a radius of 100 miles. Ninety-two percent of the cattle hauled to the auction by truck came from within a radius of 300 miles. Ninety-five percent of the cattle and 94 percent of the calves were hauled from the auction by truck. The rest moved out by rail.

Eighty-seven percent of the feeder cattle and 97 percent of the feeder calves were sold on a weight basis, the remainder by the head. Ninety-eight percent of the cattle and 95 percent of the calves were fed and watered before sale. Often the animals were weighed when brought to the auction, then fed and watered. Other times the animals were weighed at the market or farm and shipped to the auction to be sold on these farm or market weights. This was particularly true of cattle handled for out-of-state dealers.

Charges for selling cattle vary. Some auctions charge on a head basis. Others charge 2 to 3 percent of the gross sales value. With the present price of cattle this would range from $1.50 to $2.50 a head. At a recent auction where 187 feeder cattle were sold, the selling cost averaged about 54 cents a hundred, or about $2.25 a head.



Location of livestock auctions in April, 1949. Many of these auctions handle only a few feeder cattle. (Fig. 7)

Commission Agencies

Many cattle feeders prefer to have someone else buy their cattle, either because they do not have the time or because they feel they are not well enough acquainted with market conditions to make a profitable bargain. Many commission firms in various markets specialize in this type of business. In 1947 at the Chicago and National stockyards, 58 commission firms bought 36,235 feeder cattle and calves for their patrons.

Commission firms charge on a head, hundredweight, or car basis. Whether this added cost is justified depends of course on the accuracy of the commission buyer's judgment. The services of a trained feeder buyer are usually worth far more than his charge.

A study of five firms handling 11,721 feeder cattle and 2,400 feeder calves showed that they purchased 7 percent of the cattle and 21 percent of the calves from other commission firms on the market at which the order was received; 9 percent of the cattle from dealers on the market; and 84 percent of the cattle and 79 percent of the calves at other public markets.

Commission firms also sell feeder cattle. Since they are then representing the seller rather than the buyer, it is not permissible for a commission firm to both buy and sell the same livestock in one transaction.

Stockyard Companies

The stockyard company (public market) charges yardage on a head basis for the livestock handled through it. This charge covers various services: chutes to unload and reload, driving to pens, water, weighing, etc. Hay and grain are sold at prices set by the Packers and Stockyards Division of the Production and Marketing Administration. Fire insurance while in the yards usually costs 7 to 15 cents a car. Stockyard companies neither buy nor sell any livestock.

Transportation Companies

Market facilities would be ineffective without adequate truck and railroad facilities. For hauls of considerable distance rail transportation is more important than trucks.

Railroads. The following are important points to consider when shipping by rail:

1. *Rail rate from point of origin to destination.* Some average rates to Illinois towns are given in Table 5.

2. *Length of travel time.* Long hauls mean not only greater freight rates (insofar as length of travel time reflects the distance traveled) but also increased expense for feed and water. After livestock has been in transit 28 hours (or with written permission of the owner, 36 hours), the animals must be unloaded for feed, rest, and water. This is necessary if the animals are to be in good health and condition upon arrival.

A charge of $5 to $10 is made each time a car is unloaded, depending upon the facilities, amount of feed, and services provided. On some

Table 5. — Average Railroad Rates for Feeder Cattle From Various Points of Origin to Illinois Towns in 1948

State or city shipped from	Cost per hundred-weight	State or city shipped from	Cost per hundred-weight
	cents		*cents*
Wyoming	98.9	Fargo	67.5
Montana	93.3	Kansas	61.8
Winnipeg	87.1	Sioux Falls	48.8
Texas	85.4	Kansas City	40.0
West Nebraska	73.5	South St. Paul	34.0
Omaha	73.2		

recent shipments from New Orleans to Illinois areas nearly 11 cents out of each dollar paid the railroad represented charges for feed and water service. This charge was higher than average, however, as the service is slow on this route, which handles very little livestock.

3. *Sale-in-transit privilege.* At some markets cattle received by rail may be reshipped for the remainder of the through rate from point of origin to final destination. For example, the through rate from Raton, New Mexico, to Galesburg, Illinois, is 76 cents a hundred. The rate from Raton to Kansas City is 60 cents a hundred. Cattle shipped from Raton to Kansas City for sale may then move to Galesburg for the remainder of the through rate, or 16 cents a hundred. The regular rate from Kansas City to Galesburg is 41 cents a hundred. In 1949 a service charge of $9.30 a car was made at Kansas City to move cattle on a sale-in-transit billing. On a 24,000-pound car this privilege therefore means a saving of about 21 cents a hundred.

4. *Feeding-in-transit privilege.* By this privilege feeder cattle are shipped from the market of purchase to the feed lot at the local fat-cattle rate (the feeder rate is 85 percent of the fat-cattle rate). The finished cattle are then shipped to another market at the remainder of the through rate. This system may also be used when cattle are bought on the range.

For example, assume that a feeder in Galesburg buys a 24,000-pound car of cattle in Kansas City, and after feeding the cattle to a total weight of 48,000 pounds, sells them in Chicago. The feeder-cattle rate from Kansas City to Galesburg is 41 cents a hundred, and the fat-cattle rate, 48 cents a hundred. From Kansas City to Chicago the fat-cattle rate is 60 cents, and from Galesburg to Chicago, 38 cents. If the feeder uses feeder-cattle rates from Kansas City to Galesburg, the charge will be $98.40; the charge from Galesburg to Chicago for 48,000 pounds at the fat-cattle rate will be $182.40, for a total of $280.80. If he uses the feeding-in-transit privilege, he will pay $115.20 for shipping 24,000 pounds to Galesburg and $28.80 for 24,000 pounds to Chicago. The charge on the other 24,000 pounds will be $91.20. Altogether his bill will be $235.20. This represents a savings of $45.60. A small service charge would have to be deducted from the savings. This method of shipping cattle is used to only a very limited extent by Illinois feeders.

Trucks. Trucks are commonly used to move feeder cattle short distances from producer to concentration points. Also, most of the feeder cattle bought at Chicago and East St. Louis, at local auction sales, and from local dealers move to the farm by truck.

In this study 87 percent of the cattle were delivered to the farm in hired trucks, 7 percent in the buyers' trucks, a few on foot, and the rest in the truck of the seller.

The charge increases with distance, though not in direct proportion. Following are some average truck costs for hauling feeder cattle various distances to Illinois farms:

Distance (*miles*)	*Average cost per hundredweight* (*cents*)
10 and less	3.3
11–25	5.7
26–50	8.7
51–100	13.2
101–200	25.3
201–300	42.2

PRICES AND EXPENSES

When a farmer buys feeder cattle, relationships between prices of feeder and slaughter cattle should be analyzed with the feeding program. Generally, prices of feeder cattle reach a peak in the late spring and a low in the fall. Good slaughter cattle reach a major peak in the fall, a minor peak in the spring, and a low in early summer. Economic conditions, however, may be such that in any one year the situation could be very different.

Relationships between prices of feeder and slaughter cattle are shown in Fig. 8. The years 1936 through 1942 have been used because not enough time has elapsed since the discontinuance of wartime rationing to get a representative average. At least a five-year average is needed to balance out the irregularities that may appear in any one year.

Some Factors to Consider in Cost

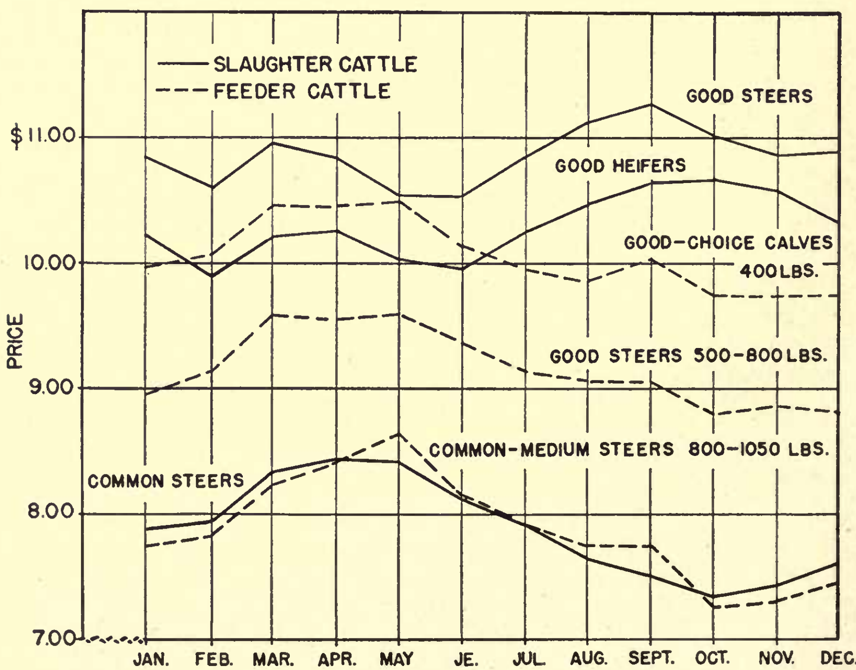
A feeder tends to buy cattle where the delivered cost for a certain class and grade is least, or appears to be least. To make the best buy, he needs to consider more than the actual price of the cattle.

For example, assume that a farmer purchases 40 steers weighing 600 pounds in Nebraska in October, planning to feed them so that they will be ready for market the following August. The cost in Nebraska is 28 cents a pound. The following costs are involved in moving the cattle from the ranch to the feedlot:

Purchase price of 40 steers at 28 cents a pound...	$6,720.00
Freight at 73.5 cents per hundredweight.........	160.71
Transit insurance at 26 cents per head...........	10.40
Trucking to farm at 5.7 cents per hundredweight...	12.31
Buying expense at 15.3 cents per hundredweight..	36.72
Delivered cost............................	$6,940.14

Delivered farm cost, on the purchase weight, is $28.92 a hundredweight. But the cattle shrink 60 pounds a head while in transit, so that the farmer receives just 21,600 pounds although he has paid for 24,000 pounds. In addition to the out-of-pocket expense of getting the cattle to the farm there is interest at 5½ percent on $6,000 for 10 months, which amounts to $275 and makes the total cost $7,215. The cattle will have to sell net for nearly $500 more than the purchase price before there will be any return for feed, labor, and other costs of production.

While some of the above figures are averages and some represent arbitrary conditions, they show the need for carefully considering all



Monthly average prices for specified classes and grades of slaughter and feeder cattle, 1936-1942. (Feeder cattle prices are for Kansas City; slaughter cattle prices are for Chicago.) (Fig. 8) items of cost when buying cattle. Transportation costs have already been discussed. Other costs to consider are: buying expense, financing, shrink, and death loss.

Buying expense. The average charge by buyers in this study was 15.3 cents a hundred, or 94.5 cents a head. The individual feeder is of course less interested in averages than in the price his buyer will charge and in the value of his services.

Financing costs. Many cattle feeders have to borrow money to finance their operations. During recent years there has been a tendency to "ride up the equities." That is, as the value of cattle increased, the lender advanced more money on current equities in the cattle to meet current operating expenses. This may be satisfactory in periods of rising prices; but in periods of unstable prices it will lead to disaster both for the feeder and the financing agency.

Current interest rates range from 4 to 5½ percent. Probably more important to the feeder than interest rates is feeling reasonably certain that the loan will not be called before the cattle are finished. The lender is less likely to call his loan if the operator takes these three steps: (1) follows a sound management program; (2) keeps size of operation in balance with his own capital; (3) keeps lender informed as to what is being done. These safeguards will also help to keep credit costs down because the lender won't have to make so many inspection trips to keep informed of the operation.

Of the 270 lots of cattle included in this study, 101 lots were financed in whole or in part. Sixty-eight were financed by banks, 30 by production credit associations, and 3 in other ways. These 101 lots of cattle represented borrowings of $783,376. Nearly half the money and over one-third of the loans were at 4 percent. The 4-percent rate was primarily on maturities of less than six months. A good number of the longer maturities involving calves and small yearlings were financed by production credit associations.

Shrink. Two types of shrink occur. *Excretory* shrink is the loss of weight in water and manure that can usually be gained back rapidly. *Tissue* shrink is loss of weight from loss of flesh. In severe cases it may affect the health of the animal. It always takes longer to regain this type of loss.

The length of time in transit affects type and amount of shrink. The conditions under which the livestock are weighed can materially affect the amount of excretory shrink. For example, a shipment of 956-pound steers, after a drink of water at their destination in Illinois, weighed more than when weighed in Kansas; but they had been driven 28 miles in a temperature of over 100° and in a hot wind before being weighed in Kansas.

Cattle feeders are interested not only in the amount of shrink but in the length of time it takes the cattle to regain the purchase weight and start making gains under farm conditions. Some cattle start off better than others, due partly to the way they are handled when they arrive at the farm but also to their general condition.

"Stale" cattle, for example, usually do not gain as rapidly as fresh cattle. And light cattle generally take longer to gain back shrink than heavier cattle (Table 6). One reason for this is that lighter cattle are generally placed on pastures, stalks, etc., while heavy cattle are given rations to produce faster gains. Another reason is that heavy cattle are better able to adapt themselves to new types of feed and surroundings than lighter cattle.

Table 6. — Number of Days Needed for 260 Lots of Cattle to Regain Purchase Weight
(According to estimates by 116 farmers)

Weight (pounds)	5 days and under		6 to 10 days		Over 10 days		Total number of lots
	Number of lots	Per-cent	Number of lots	Per-cent	Number of lots	Per-cent	
Under 400	3	21.4	4	28.6	7	50.0	14
400-599	23	32.4	22	31.0	26	36.6	71
600-799	38	37.6	45	44.6	18	17.8	101
800 and over	41	55.4	29	39.2	4	5.4	74
Total	105	40.4	100	38.5	55	21.1	260

The following examples indicate the varying lengths of time that stale cattle, light cattle on pastures and stalks, and heavy cattle need to regain purchase weights: Forty-seven head of 700-pound cattle bought on local weights took 21 days to get back their purchase weights because they were stale and sick. It took 20 days for 38 head of 640-pound cattle (pay weights) on pasture and stalks to regain the pounds paid for. On the other hand, 102 head of 1,010-pound cattle from Montana fed twice en route regained their purchase weights after 7 days.

Many shrinkage problems are closely related to management practices beyond the scope of this study.

Death loss. Death loss from sickness or other cause can materially influence the cost of a lot of cattle. Losses in calves are greatest, in heavy cattle least. A summary of reports on 113 droves of cattle fed by Farm Bureau Farm Management Service cooperators[1] showed that death losses of calves were 2.43 percent; yearlings, 0.85 percent; and two-year-olds and over, 0.43 percent. In the present survey death losses reported were: calves, 1.48 percent; yearlings, 0.47 percent; and two-year-olds, 0.25 percent. A majority of these cattle had not yet been sold, so more losses might well occur. However, most death losses occur right after the animals arrive at the farm.

Transit insurance. Because of the danger that feeder cattle may become crippled or die while in transit, many feeders buy insurance to provide protection against this in-transit loss. While this means an added expense, it does eliminate the risk of the much greater expense resulting from death loss. Insurance for rail shipments is obtainable from local representatives of companies that write such policies. Truck insurance is sometimes included in the rate, and sometimes must be bought separately.

Table 7. — Some Representative Insurance Rates for Cattle and Calves When Hauled to Three Markets by Truck
(Cents per head)

Distance (miles)	Rate for cattle to—			Rate for calves to—		
	Market A	Market B	Market C	Market A	Market B	Market C
26-50	22	25	20	22	18	20
76-100	29	32	22	29	25	22
151-200	33	40	28	33	32	28

Often the buyer will insure truck shipments but not rail shipments, taking his chances that he can collect from the railroad because of carelessness on their part. Insurance charges increase with distance, and for trucks the rates also vary between markets. Table 7 shows some typical insurance rates in effect for truck shipments. Following are some representative rates for cattle and calves hauled to market by rail:

Distance (miles)	*Rate (cents per head)*
Under 150	18
151–350	21
351–750	26
751–1,100	35

[1] Mosher, M. L., "Death Losses of Livestock on Illinois Farms." Illinois Farm Economics, June, 1947, p. 533.

Marketing Margins

Cattle feeders are of course interested in buying their cattle as cheaply as possible; the rancher or farmer raising feeder cattle is interested in selling as high as possible. However, the Illinois feeder pays more for his cattle than the rancher receives.

Margins (items of expense from ranch to feedlot) were arrived at in two ways. First, information was obtained from Illinois farmers as to the various items of expense incurred in buying the cattle and moving them to the farm. This information has been summarized on pages 21 to 25.

Second, commission firms on the Chicago and National Stock Yards markets permitted review of their records on marketing costs. Also, data were obtained from one auction (*see* Appendix).

On 75 carloads of feeder cattle sold on the National Stock Yards market in East St. Louis, the various costs per hundredweight were: freight, in-transit insurance, and feed in transit, 49 cents; yardage, 6 cents; feed, 5 cents; commission, 8 cents; total expense, 68 cents (Table 8, page 30). This represented 3.5 cents out of each sales dollar. Data collected from the auction showed transportation as 41 cents a hundred and selling expense as 54 cents a hundred.

Distance from market is one of the most important factors in determining margins. Transportation is the largest single item of expense. Freight rates per hundredweight increase as market distance increases. Also, the greater distance from market, in so far as it means more hours in transit, increases costs of feeding en route. The cattle that travel a greater distance require more feed after arrival to be in condition.

With truck shipments the transportation cost is lessened because of the shorter distance hauled, but many other expenses are increased. Truck shipments are usually made in smaller lots, and commission is therefore more per unit than on larger shipments.

Transportation costs are closely associated with weight, providing the cattle equal or exceed the prescribed minimum weights per car, but the other marketing charges are largely on a head basis. Thus the more weight per head with a given quality, the less the margin per hundredweight. Charges per head or per hundredweight are larger for small shipments than for large shipments.

If marketing margins are to be held at a minimum the agencies handling feeder cattle should (1) handle a large enough volume to be efficient, (2) provide only necessary services, and (3) keep duplication of services at a minimum.

The cattle feeder must determine how many services he is willing to pay for and how many he can profitably perform himself. This will depend upon evaluation of his ability to perform a service himself and the relative costs of his doing it and of hiring someone else to do it.

Different cattle feeders of course place different valuations on the services performed by the various agencies handling feeder cattle. Also, most feeders have only limited information as to daily sources and prices of feeder cattle. As long as these situations prevail, it will be impossible to eliminate all duplication of services and cross movements of feeder cattle.

ADVICE TO FEEDER BUYERS FROM FEEDER BUYERS

Nearly every cattle feeder has at one time made an unfortunate purchase. The 123 feeders who were interviewed pointed out some things to do to reduce the chance of making these mistakes:

1. Know quality. This is necessary from a management standpoint. If a person does his own buying it is especially essential that he know quality well enough to get the animals at a fair market price. Avoid "counterfeits" and "ringers." Buyers emphasized that the ability to pick out "good doers" is all-important.

2. Watch weighing conditions. Know where the cattle were weighed and whether they were full or empty. Know if the scales were accurate. If pay weights are used, it is doubly important to know weighing conditions. Discounts, such as a 3-percent shrink or a 10-percent gate cut at a dollar off, can make a big difference in profits.[1]

3. Avoid stale cattle. No cattle from any source are immune from this condition. Stale cattle are usually less thrifty than fresh cattle and will not start off as readily. This condition arises most frequently when cattle are in transit too long, or are held too long in feeding yards on a poor ration, with too little exercise and bad weather. Stale cattle are most frequent when cattle are not moving in volume. Calves seem to go stale quicker than larger cattle.

4. Be sure of the reliability and integrity of the seller. This cannot be overemphasized, for only by dealing with a reliable seller is it

[1] "A 3-percent shrink" means that the cattle are weighed and 3 percent is deducted from the weight to arrive at the purchase weight. "A 10-percent gate cut" means that the cattle are weighed, then 90 percent of the weight is purchased at the agreed price, the other 10 percent being purchased at an agreed discount. "At a dollar off" indicates a discount of one dollar a hundredweight.

possible to be sure that the cattle are as represented, that weighing conditions were fair, and that there will be few stale cattle.

SUMMARY AND CONCLUSIONS

Channels of feeder-cattle movement. The channels through which feeder cattle move into Illinois are an outgrowth of what farmers want, as expressed by their willingness to buy from various sources. A cattle feeder may buy from a particular kind of market because it sells the kind of cattle he wants, is conveniently located, or provides a desired service.

There is considerable duplication of effort and facilities by the various agencies handling feeder cattle. Part of this duplication is due to the varying kinds and numbers of services that different feeders are willing to pay other people to do for them. The same number of cattle could be moved from the range to the feedlot with less time if feeders were satisfied with fewer services when buying cattle.

Most of the cattle moving into Illinois come through the public markets. These markets are relatively most important as a source when movement is least. Local dealers are more important as a source of cattle in northern and western Illinois than in the central and southern parts of the state. Auctions are relatively most important in central Illinois.

Size of lots and quality of cattle bought at the various sources. The following general statements are on an average basis, and there are many exceptions. Carload lots of cattle are bought at public markets, truckload lots from dealers, and less than truckload lots from auctions. Local purchases from growers are in less than truckload lots; out-of-state purchases from growers are in carload lots.

Cattle purchased at public markets are of a higher average quality than cattle bought from local dealers; and those bought from local dealers are of higher quality than those from auctions. The quality of cattle purchased from out-of-state growers is, on the whole, higher than that of cattle bought from local growers. Calves are of better quality than yearlings; two-year-olds may be either high- or low-quality, depending upon the feeding program to be followed.

Costs paid by feeders. Illinois cattle feeders pay considerably more for cattle than the price received by growers. Costs of transportation from ranch to farm, in-transit feeding, shrinkage and death losses, and buying expense are paid by the feeder — either directly, or indirectly, through higher prices. If buying at a public market or ranch, the buyer commonly assumes all these cost items in addition to the stated price. When buying from local dealers or at auctions, he may find that part or all of these costs are included in the price he pays.

Points to consider when deciding where to buy feeder cattle. Because of the variations in the kind of cattle and services wanted by cattle feeders, there is no one best place for all Illinois cattle feeders to buy cattle. In determining where to buy, the individual feeder has these five points to consider:

1. On-the-farm delivered cost, which is determined by comparing prices of similar-quality cattle at different markets, plus the other costs incurred in obtaining delivery to the farm.
2. Health and condition of the animals.
3. Condition of weighing, accuracy of scales, and place of weighing.
4. Distance to market.
5. Type of cattle that are wanted and are available.

Certain general comments may be made about the various sources from which cattle can be obtained:

Growers. Feeders who buy directly from growers have to hire fewer services done than any other buyers. But to buy advantageously they should (1) be able to perform the services they do themselves at less cost than the specialists can; (2) have enough contacts with growers to get the quality they want with their relatively small purchases; and (3) have the information necessary to do a good job of pricing.

Public markets. Buyers at these markets are generally looking for quality cattle. Commission men are available to give assistance in finding the type of cattle wanted at a reasonable price. For many feeders purchases through these markets are the most desirable from the standpoint of lowest prices for quality purchased.

Local dealers. Local dealers usually handle cattle of somewhat lower quality than those handled on the market. But these dealers sell mostly in truckload lots, and thus provide a service appreciated by many buyers. Many have cattle the year round to take care of the farmer's wants at any time. Although their operations include some duplication of services, the "retail" service they perform is apparently desired by Illinois buyers.

Auctions. Cattle purchased at auctions are usually bought in smaller lots than from the other sources, and they are also, as a rule, of lower quality. In some areas auctions are the least desirable source of feeder cattle, because of stale cattle and poor weighing conditions and market practices.

No matter what type of market a feeder chooses for buying cattle, he needs to know the seller and be sure of his reliability. This point is probably more important than any other when deciding where to buy.

APPENDIX

Case Studies on Marketing Costs of Feeder Cattle

Study A. Following are the costs of marketing 1,025 Texas cattle (average Texas weight, 460 pounds) on a commission basis in 1947: freight and in-transit feeding, $3,795.23; commission, $602.20; other charges, $130.63. The price received by the ranch operator was $20.66 a hundred; the price paid in Illinois was $21.62 a hundred. This spread was used to pay transportation, 81 cents a hundred; commission, 13 cents; and other charges, 2 cents. The ranch operator received 95.6 cents out of each dollar the Illinois farmer paid for the cattle, and the railroad received 3.7 cents.

Study B. Marketing costs were determined for 75 carloads of feeder cattle at a terminal market in the fall of 1947. For better comparison they were divided into three groups according to net selling price: less than $16.50 a hundred; $16.50 to $19; and over $19.

Transportation charges were the most important item of spread between the ranch price and the sales price at the yards; 72 cents of each dollar spent for marketing costs was for transportation. As the value per hundred increased, the portion of gross returns that went for marketing costs decreased. The first group returned to the grower

Table 8. — Charges per Hundredweight for Various Marketing Services on 75 Carloads of Cattle in 1947

Group[1]	Number of head	Average weight	Freight and in-transit charge	Yardage	Feed	Commission	Total expense	Net return	Gross return
		lb.							
1	514	798	$.48	$.07	$.06	$.09	$.70	$15.46	$16.16
2	947	885	.53	.06	.05	.08	.72	18.38	19.10
3	585	1 040	.46	.05	.04	.07	.62	21.57	22.19
All	2 046	907	.49	.06	.05	.08	.68	18.79	19.47

[1] Net selling price for Group 1 was less than $16.50 a hundred; for Group 2, $16.50 to $19; and for Group 3, over $19.

95.7 cents out of each dollar paid at the market; the third group, 97.2 cents.

Study C. Costs and prices of 40 truck shipments of feeder cattle totaling 317 head were studied at a terminal market in the fall of 1947. Trucking charges represented 54.1 cents out of each dollar spent on marketing. In-transit insurance cost an additional 5.8 cents, making transportation expense 59.9 cents. The other 40.1 cents were spent as follows: commission, 18.6 cents; yardage, 13.7 cents; feed, 7.2 cents; miscellaneous, 0.6 cents.

Cattle netting the farmer less than $14 a hundredweight returned to him 94.9 cents out of each dollar paid for them; those netting $14 to $16 returned 95.3 cents; and those netting over $17.50 returned 96.8 cents.

Study D. Costs of marketing 13 lots (187 head) of cattle at an auction in the fall of 1948 were 41 cents a hundred for transportation, and 54 cents a hundred for selling expense. The producer received 96.5 cents out of each dollar paid for his cattle.

10,050—8-50—44279