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Co-Operative Wool Marketing in South Dakota

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Extension Circular No.34 June 1921

CO-OPERATIVE WOOL MARKETING IN SOUTH DAKOTA

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South Dakota State College of Agriculture and
Mechanic Arts, cooperating with the Uni-
ted States Department of Agriculture.
Free cooperative agricultural ex-
tension work. Acts of May
and June 30, 1914. W. F.
Kumlien, acting
director

■ ■

What it Accomplished.—One million, two hundred twenty-two thousand pounds of wool was shipped this way by 1,435 sheepmen. This wool was loaded and shipped for a cash outlay of much less than one-tenth cent a pound. The wool has all been graded. The east river or fleece wools were ready for sale about November 15. The west river or territory wool was held for sale in the bag, without grading for a time, but was finally graded and put in market condition in April, 1921.

Why it Was Profitable.—About one-fourth of the wool in the state was handled in 1920 through this organization. The system that was followed was similar to the Iowa system of pooling, which followed some of the ideas of the Ohio State Wool Growers' Association. The Iowa pool netted its growers a nice margin over local prices in 1919 as well as helping the sale of the wool that was in the pool. Many growers with better grades of wool received from 6c to 10c more, net, than could have been secured at home. Similar figures could be cited by the Ohio people.

How it is Managed.—The directors are elected by the members at the annual meeting in February of each year. All shippers are members and the board directs management and tries to sell as nearly in accord with the wishes of the majority. They contract for the wool, also, with the selling and storage agencies. The best and most efficient selling agency possible is secured.

Pool Members Have Advantage.—During the wool's stay in the bag, the market was inactive and very little wool was sold. Approximately one-third of the fleece wool was sold in February, 1921, (in previous years most pooled wools had been cleaned up and the money remitted to the consigners by this date) for which they netted from 2c to 6c per pound over prices they could have secured at home. Later sales in April have netted a little more than was offered for the best wool at home. This was sold after a 5c decline of the market. Considerable wool is still held (May 16) unsold, and it is hardly fair to take the price of one sale or even results of one year's work to determine whether to pool. Several years' averages should be considered.

The pool members right now, even though some of their wool is not sold, are better off than the growers who did not pool. First, they will get, as a whole, more money than they could at home. Their wool which is not sold is in sale shape, ready for the first buyer having need for their grade of wool, while a great amount of the wool that was kept at home was either damaged by poor storage or is not as far towards the market as it was a year ago. The pool members' storage is as cheap as can be found, and if one includes insurance it is practically as cheap as the wool could be stored at home, or approximately a little less than \$1 per hundred per year. Bankers would rather loan money on wool in an insured pool than on the farm where it might spoil or burn.

South Dakota produced approximately 4,000,000 pounds of wool in 1920 or about enough for the needs of its own population. This amount could easily run to 6,000,000 pounds and has been more than that, but exact figures are hard to secure on account of the wool being handled across the state line to and from North Dakota and Minnesota and from

Montana and Wyoming. A factory in the state would do a good business and save much transportation.

WHY THE POOL WAS FORMED

County Pools Not Satisfactory.—In 1919 the extension service of the South Dakota State College secured records and figures from 16 county pools throughout the state. These pools were handled by county agents, the State Marketing Department and others interested. They assembled the wool at as many different shipping points, and in this way sold approximately 300,000 pounds.

In most cases they profited by this system, but in some very little, if any, advantage was gained by the growers and the system proved to be entirely worthless in 1920. Little, if any, competition was secured in these sales and records show that no mills bought wool. Also, quite a few men with the best grades of wool withdrew their wool from the pool and took it back home to sell at a later date, individually.

When Local Buyers Dictated Everything.—The wool growers of South Dakota started selling wool many years ago in a small cooperative way in the leading wool districts, a number of them bringing their wool to town on a certain day and trading to a wool buyer for the highest price that could be gotten.

This system no doubt saved the buyer much time and trouble in that he did not have to look for or drive out to inspect the wool. Also, when one man sold, as a rule several would follow, whether the price was right and regardless of the quality of the wool.

Description of the New Organization.—The purposes for which this organization is formed are:

To promote sheep husbandry in South Dakota;

To encourage the production of more and better sheep and wool and sell or assist in the sale of sheep and wool products for the members of the association;

To buy supplies in a cooperative way;

To rent buildings, own, sell and control such buildings and other real and personal property as may be needed in the conduct of its operations;

To cultivate and develop the cooperative spirit in the communities, and

To perform any other work which may tend to the betterment of the members and the general benefit of the industry.

How the Pool Operates.—The wool is gathered in carlots by the farm bureaus or managers of county wool pools and shipped to the National Wool Warehouse & Storage Co., to be graded and sold.

Charges for Handling.—The storage company and selling agency makes a charge that will pay expenses, this charge to vary as to labor

costs. It was three cents per pound in 1920. The state association makes a charge:

First, to cover costs of loading, accumulating and shipping the wool, which should approximate one-tenth cent per pound;

Second, a charge of three-tenths cent per pound to maintain a state manager, board of directors, and provide uniform state association receipts, agreement forms, news service, etc.;

Third, one-tenth cent a pound is charged to maintain a national wool marketing specialist under direction of the American Farm Bureau Federation to help keep state associations correlated and handle national wool questions, such as the "Truth in Fabric" bill and other questions in which the sheepmen are interested;

Fourth, freight should be paid by the storage company and taken out. Freight, as a rule, has been paid by the storage company and taken out of the selling price of the wool, similar to the other charges.

How Grower is Paid.—Each grower receives an individual account, giving grading of wool, prorated charges and selling price of each grade; the selling agency either sending the money to the county association in a lump sum, or, preferably, making checks direct to the producer or his creditors, these checks being sent to the local manager or agent for delivery with grading sheet attached.

Contracts.—The grower agrees to ship with the state pool and the state pool makes an agreement with a national storage and selling agency.

FUTURE PLANS

(As recommended by American Bureau Farm Federation Wool Committee)

1. That the National Wool Committee accept the marketing service of the American Farm Bureau Federation, which we understand to mean that a man will be appointed to work under its direction, looking to the wool marketing problems of the country in coordinating the various wool pools and the establishment of concentrating centers as may be deemed advisable, and other matters of interest to the industry. The marketing of the 1920 wool clip not already provided for to have the immediate attention of such marketing service.

2. That the expenses of such can be financed through the various wool pools and American Farm Bureau Federation.

3. That the following cities be designed for warehouses with the understanding that other cities may be added from time to time after a thorough investigation is made and the wisdom thereof demonstrated: Chicago, Illinois; Columbus, Ohio; Galveston, Texas; Syracuse, New York; Lansing, Michigan.

4. That all warehouses to be established be incorporated and operated under the federal warehouse act.

5. That as soon as plans for the handling and disposition of such portion of the 1920 wool clip which has not already been provided for have been perfected, immediate steps be taken towards the formation

of a national centralized system of warehousing, grading, financing and selling. This system to provide protection to the organization by obligating the producers to consign their wool to such organization for a period of not less than three (3) years.

6. That the marketing committee ascertain the prices at which blankets, auto robes and other woolen fabrics can be manufactured from stocks of wool now on hand, and capacity of such mills and submit its findings to the various state organizations.

(Note—The marketing man is now at work and a few more warehouses are getting ready. The national sales agency is very likely to work on the 1921 crop of wool. South Dakota wool will go to the National Wool Warehouse & Storage Co., again in 1921, under terms similar to those of 1920.)

Why Wool Growers Should Cooperate.—A cooperative marketing organization should handle wool cheaper, be more convenient to shippers and return a higher net price over a term of years than the old country buyers or speculators can, in order to be a success. Attention is called to these three points, and if a cooperative wool marketing association does not perform all of these services, we have still to look further for improvements or be satisfied with the previous business methods of the wool merchants.

1. It has been proven that the wool around a shipping point can be collected, sacked, marketed, weighed and loaded into a car and consigned for approximately one-tenth of a cent per pound, or even less, over wide territory, cooperatively. This work, as a rule has been handled through the county farm bureaus or other farm associations already organized and maintained. It has been found hard to maintain a wool association that only works once a year. The South Dakota Sheep & Wool Growers' Association shipped over 1,000,000 pounds of wool through 42 such county or community organizations last year, at a cost of less than one-tenth cent per pound. However, in most cases the agent's time was not counted, and after the system is well understood it is probable that more hired help will be needed, such as a wool manager.

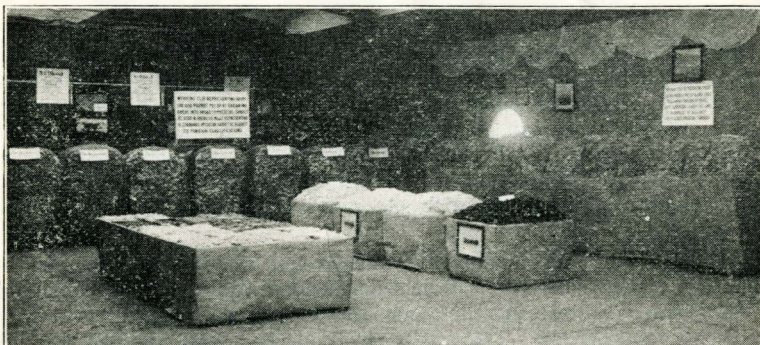
A buyer can hardly visit each town for this amount, let alone hire an automobile and spend time trading with and visiting the growers, or hire an associate to collect the wool. In 1919 from one and one-half to three cents per pound was allowed for this work by the average wool house.

2. Convenience to shippers is to be considered, and where the growers have long hauls or cannot come in for a day to load directly into a car, the cooperative elevator, the railroad warehouses and other buildings may be used, as the district provides. The grower always knows what he will do with his wool within a reasonable period of time, at least, and knows that it will be graded and sold according to world standards and prices by the management of the association of which he is a part. This appears more convenient than waiting until the buyer comes long, (as in connection with the 1920 clip, in many localities, he has not come to this day), and says: "I will give you so much a pound to deliver your wool to such a place on such a day." The grower as a rule is not well acquainted

with wool prices, especially if he does not have a large quantity of wool, and many times does not get market prices for his wool, or the man with good, clean, carefully handled wool gets no more than the careless packer.

3. Netting more money for wool now requires an efficient grading agency on a direct route to the mills in a large, efficiently run warehouse. These grades are standardized to suit the trade. The freight will be the minimum to the consumer, for very little, if any, back haul will be made, as the sales agency will sell direct to the manufacturer for as high a price as the speculators can secure. This has been done and can be done if the majority of the mills are given what they want when they want it in a desirable, reliable condition. The mills will appreciate the service and the shipper should net more from prices received and get the saving of from one to five cents made by cooperative marketing, which the old system cannot but spend.

HOW SOUTH DAKOTA WOOL GRADED



Wool at the Storage and Selling Agency

The main grades of the fleece wool:—

Low Quarter	20,500 pounds
Medium Burry & Seedy	12,000 pounds
Fine Clothing	27,400 pounds
½ Blood Staple	18,300 pounds
½ Blood Clothing	72,000 pounds
Dead Wools	7,000 pounds
Tags	6,700 pounds
¾ Blood Staple	200,000 pounds
¼ Blood Staple	186,000 pounds

Choice range South Dakota grading:—

Fine Staple about	30,000 pounds;	Estimated shrinkage	59-60%
Fine Clothing about	114,000 pounds;	Estimated shrinkage	63-64%
½ Blood Staple about	63,000 pounds;	Estimated shrinkage	56-57%
½ Blood Clothing	78,000 pounds;	Estimated shrinkage	59-60%
¾ Blood Staple about	98,000 pounds;	Estimated shrinkage	51-52%
¼ Blood Staple	17,000 pounds;	Estimated shrinkage	47-48%
Low ¼ Blood Staple about	1,800 pounds;	Estimated shrinkage	42-43%

Average South Dakota range grading:—

Fine Staple about	6,000 pounds;	Estimated shrinkage 63-64%
Fine Clothing about	27,000 pounds;	Estimated shrinkage 66-67%
½ Blood Staple about	14,000 pounds;	Estimated shrinkage 59-60%
½ Blood Clothing about	18,000 pounds;	Estimated shrinkage 63-64%
¾ Blood Staple about	35,000 pounds;	Estimated shrinkage 54-55%
¼ Blood Staple about	8,000 pounds;	Estimated shrinkage 49-50%
Low ¼ Blood Staple about	700 pounds;	Estimated shrinkage 44-45%

MEMORANDUM OF AGREEMENT

(Between South Dakota Sheep and Wool Growers' Association and the Storage and Selling Agency. The state association signs an agreement with a storage and selling agency if the association has no state owned warehouse. The following agreement is practically a verbatim copy of the contract for 1921.)

This agreement made and entered into, the——day of———19—— between South Dakota Wool Growers' Association, party of the first part, (hereinafter called the "Consignor"), and the NATIONAL WOOL WAREHOUSE STORAGE COMPANY of Chicago, Illinois, a corporation, party of the second part, (hereinafter called the "Company") WITNESSETH:

WHEREAS, the company is a corporation organized to meet the needs of wool growers, and for the purpose of selling wool upon consignment and commission and obtaining the highest price for said wool in the competitive market, consistent with business principles.

NOW, THEREFORE, the party of the first part, acting as agent for and in behalf of the various farmers and wool growers in this state who have entered into the wool growers' marketing association for the year 19—, and the party of the second part, acting on its own behalf, agree as follows:

(1). The company agrees to receive, store, grade, fully insure, sell and ship out to purchaser or purchasers, any or all wool consigned to said company by consignor, and subject to the deductions contained in the two following paragraphs to pay over the amount received from such sales to the individuals who hold the company's acknowledgements as hereinafter provided for.

(2). The consignor agrees to pay to the company for the services of receiving, storing for a period of five (5) months, grading, insuring, selling of any consignment of wool, the sum of three (3) cents per pound upon the weight of the wool when sold, and that this commission of three (3) cents per pound may be retained by the company at time of rendering account of sales to the consignor.

(3). The consignor agrees to pay fifteen (15) cents, with insurance added, for each month or major portion of a month, upon each bag of said consignor's wool still in storage and unsold at the end of five (5) months after date of arrival of the wool at the company's warehouse, and that the company may retain, at the time of rendering account of sale to the consignor, the above storage and insurance charges accruing upon said consignor's wool held beyond five (5) months' time. The weight of a bag

of wool shall be considered two hundred (200) pounds or a portion thereof.

(4). The company as selling agent agrees to assume responsibilities for payment of all accounts contracted in the selling of the consignor's wool.

(5). It is agreed that the interpretation of general market conditions, values and all other matter pertaining to the sale of the consignor's wool shall be left to the company, cooperating with the representatives of the state association, without liability to the company.

(6). The company agrees to store all consignments of wool covered by this contract in warehouses licensed under the United States Warehouse Act, and when requested by party holding legal title to said consignments, to deliver negotiable warehouse receipts in name of party holding such title, providing company is furnished with satisfactory evidence of legal title, and that said wool is free from encumbrance.

(7). The company agrees that if the shipment of the consignor is composed of more than one lot of wool, each lot belonging to a separate individual, each lot will receive individual grading and attention; and said company further agrees to prepare a separate statement of account when making final settlement to the consignor which statement of account shall show the name of the owner, the grades, weight and price of each grade contained in each lot of wool and each owner's proportionate share of the freight.

(8). The company agrees to furnish at the warehouse during the grading season, without extra charge, a duplicate copy of the grader's report on each wool shipment graded; these reports to be sent by the association to the grower.

(9). The company agrees to allow representative attendants, who have been duly authorized by the consignor, to observe all of the handling operations through which the wool will go until the time it is sold. The consignor agrees that said representatives shall in no way interfere with the routine manner of wool handling in the warehouse or offices of the company.

(10). Weights and owner's marks on each bag in consignment shall be marked thereon by consignor at the time of loading, in order that mistakes may be checked and traced.

(11). As an accommodation to the consignor, the company agrees to retain from the amount due each individual shipper from the sale of his wool, one-half of one cent (\$.005) for each pound of wool sold; and to remit the amount so retained to the consignor; it being understood that this is to cover cost of services rendered such shippers by the consignor and that this arrangement is made with the sanction and approval of such shippers.

IN WITNESS WHEREOF the said company has caused this instrument to be signed by its secretary, and the consignor has duly set his hand and seal on the day and year first above written.

NATIONAL WOOL STORAGE COMPANY

By _____

SOUTH DAKOTA WOOL GROWERS' ASSOCIATION

By _____ (Seal)

WITNESS:

Growers' Agreement.—Read this carefully and if you believe in cooperative marketing, get in touch with your county wool manager and sign one of these so you will be prepared for next year.

SOUTH DAKOTA SHEEP & WOOL GROWERS' ASSOCIATION
MARKETING AGREEMENT

THIS AGREEMENT made this _____ day of _____ 192____, between the South Dakota Sheep and Wool Growers' Association, a cooperative association organized under the laws of the state of South Dakota, hereinafter called "the association," and _____ of _____ post office _____ county, South Dakota, hereinafter called "the grower."

WITNESSETH: In consideration of the mutual obligations of the respective parties hereto; of similar agreements between other wool growers and the association, and in consideration of the outlays and expenses incurred and to be incurred by the association in carrying out the purposes of this agreement.

1. The grower hereby applies for membership in said association and appoints said association his agent for the purpose of handling, grading, storing, insuring and marketing all the wool produced or acquired by him during the years 192____, 192____, and 192____, and agrees to deliver to the said association said wool in accordance with the rules and regulations of said association.

2. The association accepts the grower's application for membership and agrees to handle, store and insure the said wool under such conditions as it may determine; to have all wool properly graded into suitable lines for the most advantageous sale to buyers; to use its best judgment and efforts to sell the wool to advantage according to its several grades, and in general shall use its best efforts to facilitate the cooperative marketing of wool direct to mill buyers or other wholesale purchasers, and to account to the grower for the wool when sold.

3. The grower agrees to pay the association for each pound of wool produced by him and sold either through the association or through any other marketing agency, his pro rata share of the total expense of establishing and operating the association's organization and selling facilities, and the actual costs of handling its business together with ac-

cumulation of necessary reserves or working capital, in such proportion as his wool bears to the total amount of wool contracted and delivered by the several growers to the association by and under similar agreements, in accordance with the rules and regulations of such association; and the said grower further agrees that a flat charge of three and one-half cents ($3\frac{1}{2}c$) per pound shall be deducted from the price of the wool when sold by the association, or assessed upon all wool sold through any other agency, which shall as soon as such sale has been made, become due and payable to the said association, it being understood and agreed that if at the end of any given year's business it is found that this flat charge yields a surplus, the said surplus shall be returned to the grower in such proportion as his wool bears to the total amount delivered to the association by the several growers under similar agreements; and that if the said flat charge of three and one-half cents ($3\frac{1}{2}c$) per pound is insufficient to cover all charges and expenses, then the deficiency shall be assessed upon all growers proportionately and the grower hereby specifically agrees to pay his pro rata share of any such deficiency to the association promptly upon notice thereof.

4. IT IS FURTHER UNDERSTOOD AND AGREED, that either party hereto may terminate this contract on the first day of December of any year by giving notice in writing to the other party at least ten days prior to the date of such termination; but such termination shall not affect any incompleated sales or transactions between the parties hereto.

IN WITNESS WHEREOF the said parties have executed this agreement in duplicate the day and year first above written.

SOUTH DAKOTA SHEEP & WOOL GROWERS' ASSOCIATION

By -----

GROWER -----



Wool Ready for Shipment to the Storage and Selling Agency

SHIPPING INSTRUCTIONS

As soon as a shipment is made, notify the storage company at once, stating how shipped, and send invoice of the shipment with bill of lading.

Mark each sack plainly with coal oil and lamp black with a small round brush.

1. In local or express shipments, name and address of owner should be put on each sack at the top, and in carload shipments, where several owners go together, the lot numbers or brand and "S. D." should appear on the sacks.

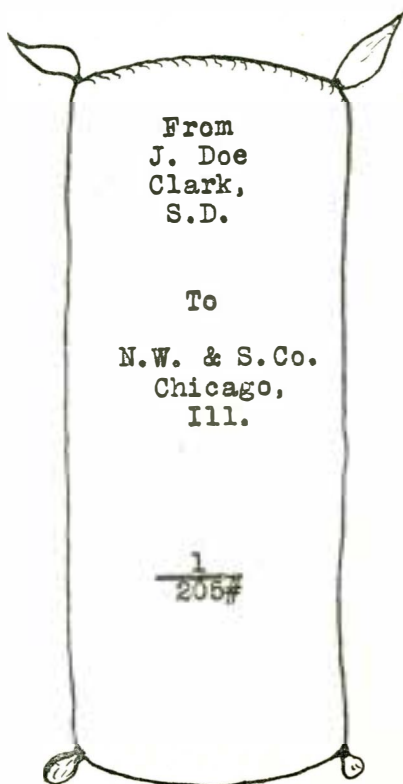
2. In local shipments put name of company to which shipment is being made on bag. (Tags are oft times torn off.)

3. The net weight of each bag should go under the line at the bottom of the sack and to avoid mistakes, each bag for each owner should be given a number, and all old marks obliterated.

Wool should be bagged before coming to the car or arrangements made for bagging at the car. Paper twine is cheapest and best for tying wool. Sisal or bark twine will be docked. Bags and twine may be secured from the storage company. Pack the bags well by tramping

in the wool and tie each corner so it will make a hand hold for handling the bags without using hooks.

Shearers should remove all tags and corral dust when clipping and not tie it up into the fleece. Damaged wool should be packed separately.



Way to Mark Local Freight and
Express Shipments

GROWER'S RECEIPT

This is furnished in books to county wool pool managers:

		Original	Shipper's Receipt
Sack No.	Wt.	Brand_____	Lot No._____
		_____ South Dakota	_____ Date
1.-----		The South Dakota Sheep and Wool Grower's	
		Association of _____ Co., South Dakota,	
2.-----		hereby acknowledges to _____	
		(Name of Shipper)	
3.-----		of _____ R. F. D. No._____	
		(Shipper's Address)	
4.-----		the receipt of _____ sacks of wool of which	
		the gross weight this date was _____ lbs.;	
5.-----		Weighed by _____;	
		Breed of Sheep _____;	
6.-----		Condition of wool _____;	
		Signed by _____ Co. Agent	
		County Sec'y.	

Confirmation

7.-----		This is to certify that confirmation is on file at	
		my office that the herein described shipment of	
8.-----		wool consisting of _____ sacks and weigh-	
		ing _____ gross pounds, has been	
9.-----		received at Chicago by the National Wool Ware-	
		house and Storage Company.	
		Signed by _____ Co. Agent	
		County Sec'y.	

Assignment

10.-----		For value received, I hereby assign my right	
		to the wool covered by the foregoing receipt to the	
11.-----		_____ Bank of _____	
		South Dakota, and hereby direct the payment to	
12.-----		said bank of all sums that may be coming to me	
		from the sale of said wool, as security for the	
13.-----		payment of the amount this day advanced to me	
		by said bank.	
		Dated this _____ day of _____ 192__	

Signed _____

14.-----		If this receipt is assigned notice of the same	
		must then be given to the National Wool Ware-	
15.-----		house and Storage Company, 4300 South Robey	
		St., Chicago.	



Loading Wool in Clark County.