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Market News on Eggs and Poultry in South Dakota

E. Feder

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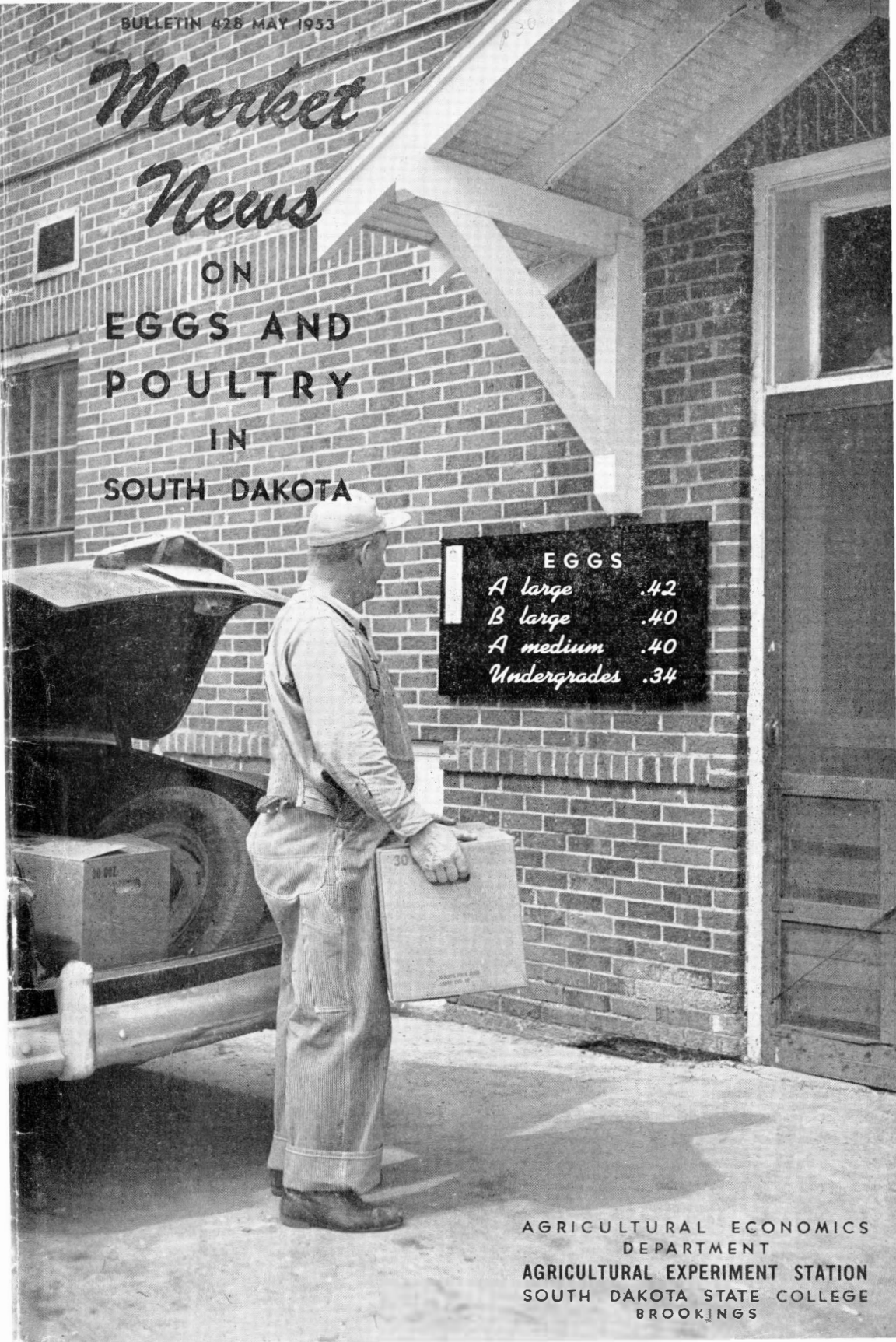
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Market News

ON
EGGS AND
POULTRY
IN
SOUTH DAKOTA



A black and white photograph of a man in overalls and a cap standing next to a car, holding a box, looking at a price board on a brick wall. The price board is titled 'EGGS' and lists prices for different egg grades. The man is standing on a concrete surface, and the car is parked next to him. The brick wall is made of dark bricks, and there is a wooden door to the right of the price board.

EGGS	
A large	.42
B large	.40
A medium	.40
Undergrades	.34

AGRICULTURAL ECONOMICS
DEPARTMENT
AGRICULTURAL EXPERIMENT STATION
SOUTH DAKOTA STATE COLLEGE
BROOKINGS

South Dakota Department of Agriculture Market Reports

In the fall of 1952, the State Department of Agriculture began to publish turkey market reports similar to those issued by the College in 1951, but soon expanded them into general Poultry and Egg Market Information Reports, issued semi-weekly at Pierre, South Dakota.

The reports contain information on general market conditions in the state, price ranges and prevailing prices of various types of poultry and of eggs by grade and for current receipts. Information is given separately for three areas in tabular form so that comparison between the areas is possible. These areas are:

- a. Northeast: north of Highway 14 and east of the Missouri River
- b. Southeast: south of Highway 14 and east of the Missouri River
- c. Black Hills and area west of the Missouri River

For turkeys, two major areas were reported once each week in the fall of 1952, namely: the Sisseton, Watertown and Huron area (northeast) and the Sioux Falls, Mitchell, Winner area (southeast).

Current poultry and egg prices, as well as market conditions prevailing in Iowa, as reported by the Federal-State Market News Service in Des Moines, are included in the South Dakota reports, because of the proximity and the general interest of dealers and farmers in the Iowa markets.

**Market News
on Eggs and Poultry
in South Dakota**

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Market News on Eggs and Poultry in South Dakota

ERNEST FEDER¹

Do South Dakota egg and poultry producers and dealers obtain adequate and accurate information on current local market conditions? For several years, producers have desired better market reports covering prices paid to farmers at local points. Lack of accurate price reporting has been felt particularly by turkey growers. When the South Dakota Turkey Growers Association was organized in 1950, it declared that one of its main objectives was to "assist in collecting and distributing news material, marketing information and other information about the turkey industry."

Newspapers and radio stations were the only media, until the fall of 1952, through which South Dakota farmers could obtain current published local poultry and egg prices. Their only other means of obtaining the information was by inquiring at buyers' places of business or at their neighbors'.

This study is an appraisal of the degree of availability, adequacy and reliability of local price quotations reported by newspapers and radio stations. The advantages and limitations, and costs and benefits of an independent agency reporting local prices and market conditions in South Dakota are also discussed.

In order to gain practical experience and to discover some of the problems to be encountered in collecting and disseminating poultry prices, the South Dakota State College² issued a Weekly Turkey Report during the turkey marketing season of 1951. Partly as a result of this study, the South Dakota Department of Agriculture began to issue semi-weekly poultry and egg market information reports on local markets in the fall of 1952.

Market Reports in Newspapers and Over Radio Stations

In order to evaluate the information available to producers on local egg and poultry prices published in South Dakota newspapers or broadcast over local radio stations, all of the state's papers were checked during a period of 11 weeks from March to May of 1951. The price quotations furnished were analyzed and then compared to prices paid during the same

¹Associate Economist. The assistance of Gene Leugers, who helped with the publication and dissemination of the weekly turkey reports, William Kohlmeier, Poultry Husbandman, and Homer Givens, South Dakota Press Association, are hereby gratefully acknowledged.

²South Dakota Experiment Station, cooperating with the South Dakota Extension Service.

period by egg buyers who volunteered to furnish the data. In addition, the managers or directors of all eastern South Dakota radio stations were interviewed with respect to their price reports.

Summary of Findings

The price information furnished by these media was found to be seriously lacking in adequacy and accuracy, particularly with respect to eggs.

In many instances, newspaper price quotations did not reflect actual prices paid by dealers. There was a tendency for newspaper prices to underquote the egg markets by one or more cents per dozen. This practice as well as the practice of quoting single prices, rather than a range of prices, and the absence of a uniform grade terminology was apt to confuse producers. In addition, obvious printing mistakes and lack of continuity seriously reduced the usefulness of the information available to producers and dealers.

However, the fact that newspapers and radio stations report prices paid by dealers in specific markets—rather than in larger areas—could aid producers and dealers in locating more promptly the markets in which they wish to transact busi-

ness, if prices were quoted more adequately.

While several radio stations in eastern South Dakota carried terminal market prices on eggs and poultry—mainly Chicago markets—only one reported daily local markets regularly.

The fact that local produce markets were not adequately reported in South Dakota should not be construed as a criticism of newspapers or radio stations. The function of newspapers and radio stations consists primarily in carrying items of general interest and they consider market information as such an item.

However, they are usually not well equipped to assemble unbiased price reports for their local, and much less for distant, markets. Personal factors may prevent an editor from being critical of price information originating with the dealers. Because of his primary duty toward local business, an editor will hardly print egg and poultry prices of firms in neighboring towns. The re-

Table 1. Number and Types of Local Poultry Produce Reports in South Dakota Newspapers (Spring 1951)

Type of Quotation	Type of Newspapers		Total
	Dailies	Weeklies or Semi-Weeklies	
Number of newspapers in South Dakota	12	168	180
Number of newspapers that published:			
Poultry or egg prices	7	16	23
Poultry prices only	0	0	0
Egg prices only	0	1	1
Poultry by grades	7	15	22
Eggs by grades	6	5	11

porting of prices and market conditions has become a specialized profession and requires a thorough knowledge of the marketing practices of buyers and sellers of individual agricultural commodities. It can hardly be expected that newspapers or radio stations can employ such specialized personnel. In addition, the initiative needed to obtain price information should come from the reporting agency, and few newspapers would feel qualified to act in that capacity.

On the other hand, newspapers and radio stations are well equipped, and it is their specific function, to disseminate information which is brought to their attention by a reliable source.

Analysis of Local Market Reports *Newspapers*

Number of South Dakota newspapers reporting and terminology used: During the 11-week period in the spring of 1951, 7 out of the 12 daily newspapers, and 16 out of the 168 weekly papers quoted local egg or poultry prices. Papers west of the Missouri River did not print such information (Table 1).

A few daily papers published prices from various other South Dakota cities in addition to their own market.

The reports showed a complete absence of uniformity in the terminology, particularly for egg grades. In fact, no two markets with daily reports quoted the same egg grades, and the grades set up by the South Dakota Egg Law and Regulations for egg purchases were not used. In

addition, there was no uniformity in the number of grades quoted and some methods of purchase (for example, current receipts³) were sometimes omitted. This made it difficult, or impossible, to make intermarket comparisons (Table 2).

Grade quotations were not always meaningful for producers because in some instances dealers had their own grading systems which were at variance with the grades quoted in their own local paper.

Source of information: Newspapers seemed to obtain their local prices from some dealer in their market though this was not always stated in the reports. For instance, only two daily papers indicated "produce houses" as their source (Table 2). From interviews with newspaper editors, it appears that the quotations themselves as well as the initiative to change quotations usually emanated from local dealers. In some markets, where several dealers competed, difficulties had been experienced in the past in satisfying all the dealers and the farmers. At the time of the study, the prevailing practice appeared to be for one dealer to furnish the price quotation to be published in the local paper.

Accuracy of price quotations, method of evaluation: The accuracy of newspaper price quotations for eggs was appraised by comparing them to prices actually paid by South Dakota egg buyers. This com-

³Ungraded or unsorted eggs as they are delivered by farmers. According to South Dakota law and regulations inedible eggs must be removed by first receivers before payment is made for eggs.

Table 2. Summary of Egg and Poultry Quotations in South Dakota Newspapers (Spring 1951)

Newspapers	Number of S. D. Markets Quoted in		Origin of Prices		Type of Quotation Published for Local Markets	
	Addition to the					
	Local Market	Local Market	Other Markets	Poultry Grades	Egg Grades	
Dailies						
Market 1	4	Unknown	A.P. °	H,L,O,2	A,1,2	
Market 2	0	Unknown		H,L,O	E	
Market 3	3	Produce Houses	A.P.	H,L,O	A,A-B,U,C	
Market 4	0	Unknown		S,H,L,O	HE,1,2	
Market 5	1	Produce Houses	A.P.	H,L,O	1, C	
Market 6	0	Unknown		H,L,O	1,S,2,C,P	
Market 7	3	Unknown	A.P.	H,L,2,O	A,A-B,P†	
Weeklies						
Market 1	0	Unknown		H,L,O	1,2,3,C	
Market 2	0	Unknown		H,L,S	E	
Market 3	0	Produce House		H,L,S,O,2	A,B,C	
Market 4	0	Unknown		H,L,O	E	
Market 5	0	Unknown		H,L,S	E	
Market 6	0	Unknown			E	
Market 7	0	Unknown		H,L,S	E	
Market 8	0	Co-op Creamery		H,L,O	E	
Market 9	0	Produce House		H,L,S	E	
Market 10	0	Unknown		H,L	1,2	
Market 11	0	Unknown		H,L,O	E	
Market 12	0	Unknown		H,L,O	E	
Market 13	0	Produce House		H,L,O	E	
Market 14	0	Unknown		H,L,S	1,2,P	
Market 15	0	Unknown		H,L,O	E	
Market 16	0	Unknown		H,L,O	1,2,C	
Poultry				Eggs		
O=Old Roosters		H=Heavy Hens		A=A Large		1=No. 1 Eggs
S=Stags		L=Light Hens		A-B=A Med. & B		2=No. 2 Eggs
		2=No. 2 Poultry		HE=Hennery Eggs		3=No. 3 Eggs
				U=Under Grade		E=Eggs
				C=Current Receipts		P=Pullet
						S=Standard
*A.P.=Associated Press						
†Stopped quoting pullet egg prices on March 23.						

*A.P.=Associated Press

†Stopped quoting pullet egg prices on March 23.

parison was made for prices of specific grades believed to be comparable. The prices paid by eight dealers—two cooperatives, five central assembling plants, one small, independent buyer—showed variation from published prices. The dealers were located in, or near, four large markets with daily newspapers publishing daily egg and poultry prices. With the exception of one, they were buyers of relatively large vol-

umes of eggs in the heavier egg producing areas of the state.

Not all large markets in South Dakota could be studied because of the difficulties in obtaining price information from dealers, or because of the incompleteness of newspaper quotations. The results of this survey therefore do not necessarily reflect on the adequacy of prices reported in dailies in markets not included in this study.

Few price changes reported: Newspaper prices for eggs often remained unchanged for a long period of time, sometimes six or seven weeks. In contrast, egg prices actually paid by dealers in South Dakota and in the Chicago market fluctuated quite widely. Poultry price quotations also remained stable, but this was probably more in accordance with actual marketing conditions, as chicken sales are usually very light in South Dakota during the spring. Ordinarily only 5 percent of all chicken sales are transacted from March to May, and price stability may reflect the buyers lack of interest in purchasing poultry.

From March 12 to May 27, 1951, the daily papers changed their prices on the average as shown in Table 3.

During that period egg buyers in the same or in nearby markets changed their prices, on the average, 14 times for the highest grade of eggs, and for current receipts 13 times. Two cooperatives changed their quotations more often: 19

times both for the top grades and for current receipts.

The newspapers changed price quotations by unusually large amounts. Almost one half (46 percent) of all changes quoted in the dailies exceeded 1 cent, some being as high as 6 cents. In contrast, changes in actual prices paid by buyers usually did not exceed 1 cent: of 300 price changes, 60 exceeded 1 cent and of these only three were as high as 4 cents.

It is apparent that dealers often did not inform the newspapers of all actual price changes, particularly small ones, unless they thought that the change or trend was going to last.

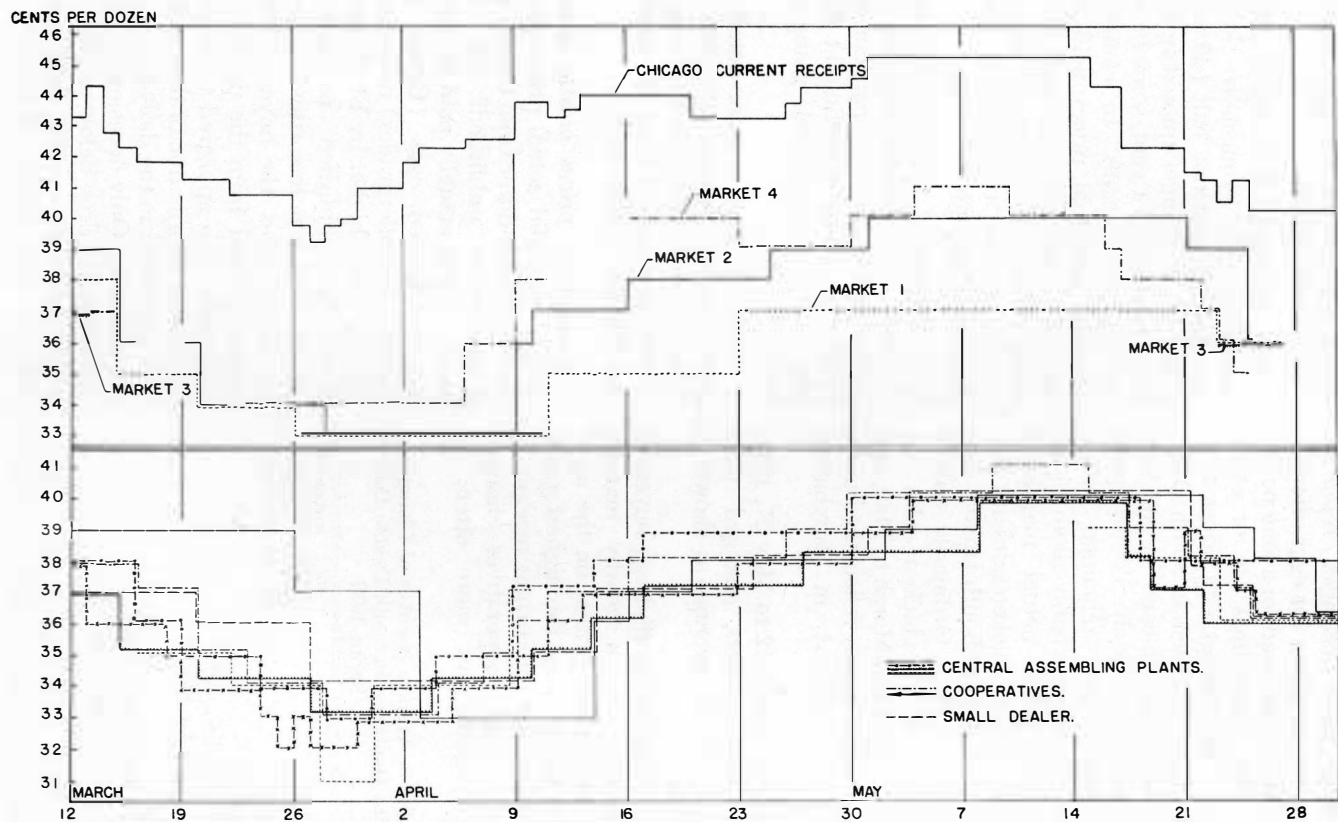
Figure 1 gives a more detailed picture of how daily price reports in Chicago and some South Dakota newspapers varied from the prices paid by the local dealers.

Newspaper prices mostly board prices: How did actual prices paid by the dealers differ from the newspaper prices published? On the whole, prices actually paid by buyers for graded eggs (Grade A, Grade B or undergrades) or current receipts were higher by 1 to 5 cents than the published newspaper prices. This is noteworthy because, in several cases, the buyers whose prices differed from the published quotation, also appeared to be the sources of information of the quotation published in the daily paper of their market. Only occasionally did paying prices drop below published prices, and then only for short periods of time. Paying prices were

Table 3. Average Number of Changes in Price Quotation in South Dakota Dailies, Spring 1951

Product	No. of Papers Carrying Quotation	Average No. of Changes in Price Quotation
Poultry		
Heavy hens	7	3
Light hens	7	3
Eggs		
Highest grade quoted ..	6	10
Lowest grade quoted ..	5	5
Current receipts*	3	6

*Quoted in four papers, but one paper stopped quoting current receipt prices from March 13 until May 22.



above quotations regardless of a rising or a falling market; however, there was a tendency, when prices were rising, for all buyers to be above the quotations and for the spread to become larger; on a falling market, paying prices coincided more closely with newspaper quotations. Figures 2 and 3 show the differences between prices paid and newspaper prices for both Grade A eggs and current receipts in specific markets.

It appears that price quotations published in newspapers were often board prices, i.e. minimum prices that dealers were willing to pay. Since buyers usually take the initiative in furnishing price information to newspapers, the quoting of minimum prices probably expresses cautiousness on the part of buyers rather than just negligence in bringing price quotations up-to-date. That South Dakota egg buyers were "cautious" in their buying and pricing practices seems to be illustrated by the fact that when prices rose in the terminal markets or in Iowa, South

Dakota prices paid to producers lagged somewhat, while with a general price decline no such lag seemed to exist.

Newspaper reports are also misleading for producers if, in a larger market, one buyer pays prices different from his competitors'. The data obtained in this study show that this happened in some instances. Newspapers which usually did not report price ranges, but one price per grade, gave the impression that only one price prevailed in the market, while there actually was a range of prices.

Newspaper prices only applicable to local markets: One characteristic of the newspaper price quotations is that only local markets are reported, but not nearby markets. As a result, prices paid by handlers in the adjoining markets may not be reported at all. This lack of coverage may prevent producers from choosing other outlets easily available to them which pay higher prices. In this study several instances were found

Fig. 1. Prices for current receipt eggs, quoted for Chicago and four South Dakota markets, and prices paid by seven South Dakota egg dealers, March 12 to May 31, 1951

Price quotations for Chicago, reported daily by the federal market news service, Monday through Friday, as shown in the graph, are the midpoints of the "mostly" range. Price changes are in full cents or fractions of a cent. Quotations for the four South Dakota markets are based on reports published in the dailies of these markets: Market 1 reports are for "current receipts;" Market 2 for "case run or standards;" Market 3 (not quoted most of the time) for "case run;" Market 4 for "eggs," but presumably all are for current receipt eggs. Paying prices of seven dealers, located in or near the markets for which dailies reported, are shown in the lower half of the graph. Price changes in South Dakota are in cents.

For readability, price lines are shown for the full week, even though quotations were not usually available for Saturdays or Sundays. It is assumed that prices remained unchanged over weekends. At times, no regular newspaper quotations were available, as shown in the graph. Also one dealer had no records for the period of April 10 to May 15.

The vertical lines indicate the beginning of each week (Mondays).

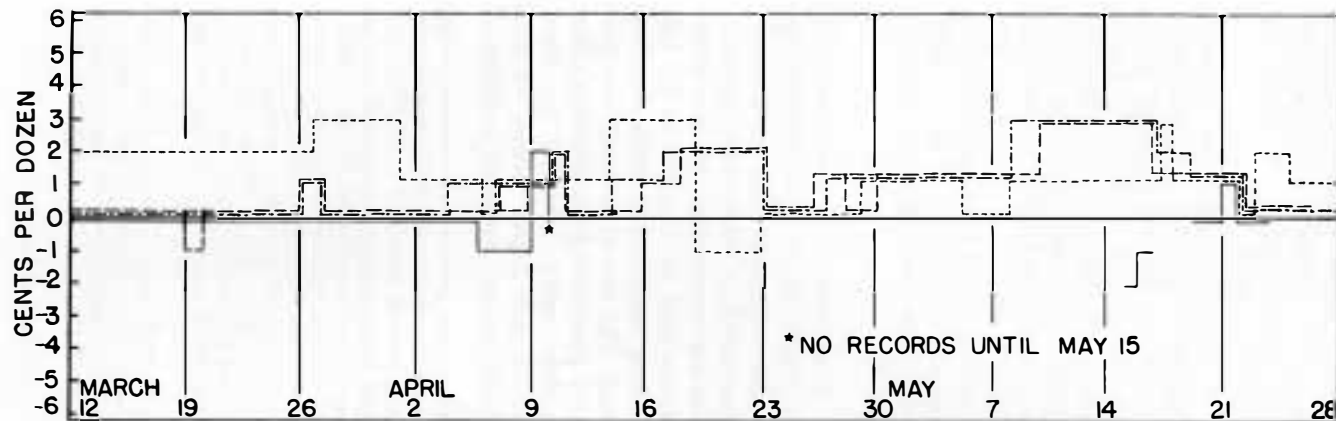


Fig. 2

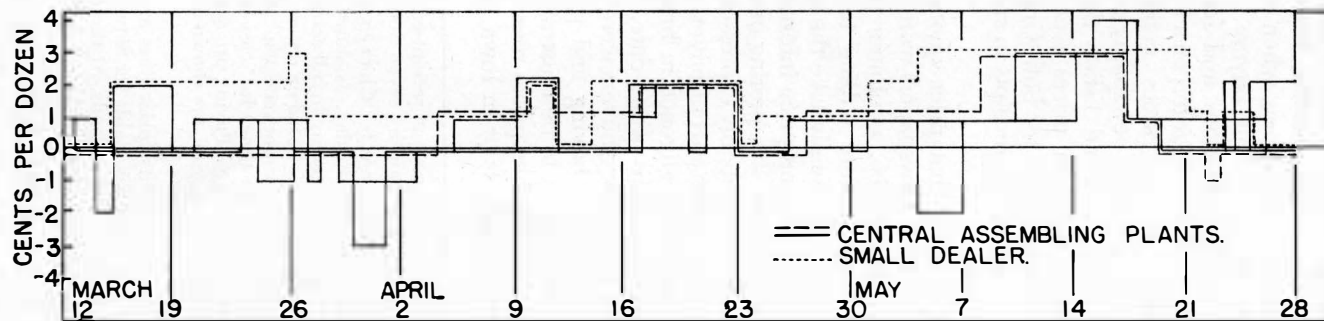


Fig. 3

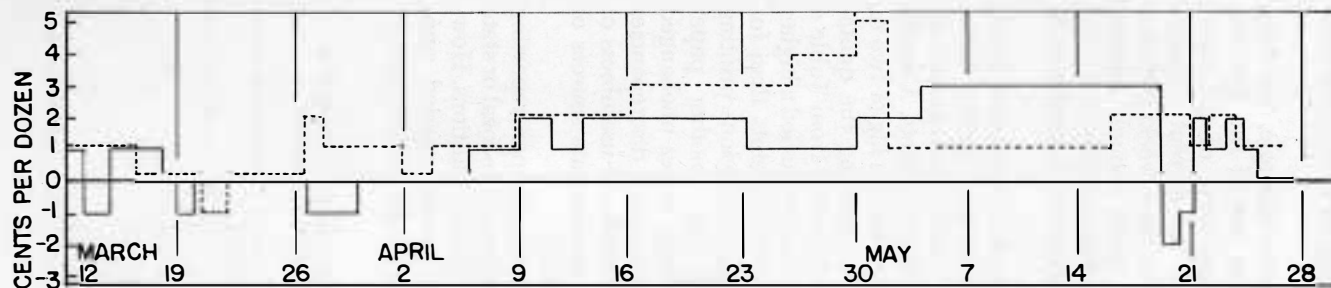


Fig. 4

Fig. 2. Differences between prices paid by four central assembling plants for highest grade eggs and prices quoted in local daily newspapers, in three South Dakota markets, March to May 1951

Fig. 3. Differences between prices paid by three local dealers for current receipt eggs and prices quoted in local daily newspaper, in one South Dakota market, March to May 1951

Fig. 4. Differences between prices paid by two cooperatives for current receipt eggs and prices quoted in daily newspapers published in the market nearest each cooperative, March to May 1951

For grade A eggs, dealers (including cooperatives and central assembling plants) paid from 3 cents less to 5 cents more, than published quotations in nearby markets. For No. 2 eggs, or "undergrades," from 4 cents less to 8 cents more.

The zero line represents the newspaper quotation, the other lines the differences (plus or minus) between prices paid and the quotations. One dealer paid more than one price on specified days. The vertical lines are the beginning of each week (Mondays).

where dealers, outside of markets in which dailies reported local prices, paid more than was reported in the dailies (Fig. 4) or at times more than dealers paid in that market.

Similarly the prices quoted in weekly papers published in small towns tended to be above those prevailing in nearby large markets. The limited circulation of the weekly papers does not permit many farmers outside of the immediate area to be aware of these quotations.

That daily newspaper price quotations were not necessarily representative of the larger area surrounding the local market should not, however, obscure the distinct advantage that price reporting for specific local markets has for producers and dealers. If daily papers could report prices accurately, this would inform producers of the exact prices prevailing in the market in which the paper is published.

Gaps and errors: Gaps in the flow of quotations which occurred even in the relatively short period of 11 weeks under scrutiny, obvious printing mistakes and other inadequacies proved to be serious handicaps to

farmers relying on newspaper price reports.

As an extreme example, one daily newspaper, in one of the heaviest egg producing areas of the state, discontinued its current receipts quotations for nine weeks without explanation, even though current receipts purchases account for the major proportion of all purchases in that market.

Prices reported from other South Dakota markets were quoted differently in the various newspapers reporting on these markets. Usually there appeared to be a lag of two or more days in adjusting the quotations. It will be noted from Table 4 that one daily paper carried a higher price for current receipts than for Grade A eggs—an obvious printing mistake—and that another paper carried the same prices unchanged for four weeks. Such discrepancies seriously diminish the usefulness of newspapers as adequate sources of market news.

None of the newspapers reporting local prices reported on local or state supply or demand conditions. However, several papers carried summaries of the large midwestern or

Table 4. Prices for Grade A and Current Receipt Eggs Prevailing in Market 1 as Reported in Daily Newspapers in Market 1 and Two Other Markets (April 1 to May 1, 1951)

Date*	Market 1		Market 2		Market 3	
	A	CR	A	CR	A	CR
4-1-'51	36	33	37	34	..†	..†
4-4-'51	36	33	37	34	34	39
4-11-'51	38	35	37	34	34	39
4-23-'51	40	37	37	34	..†	..†
5-1-'51	40	37	37	34	34	39

*Days between dates mentioned carried the same price quotations.

†No prices quoted on that day.

eastern terminal produce markets (Chicago and New York, mainly).

Radio Broadcasts

Because of the speed with which news can be transmitted, radio is recognized as one of the most important media for carrying current market information to farmers. The nine major radio stations in eastern South Dakota which were asked, in June 1951, whether they broadcast egg and poultry prices reported a fairly extensive coverage of terminal market prices. All stations except one carried summary reports of the Chicago egg and poultry markets, but no other terminal markets were carried.

Five stations broadcast regularly daily summaries received by wire from the AP or UP service. One station did so once in the early morning; three twice; one three times a day. Usually these reports were summaries of the United States Department of Agriculture Chicago releases and an attempt was made by announcers at breaking down prices by grade. Of the remaining stations, some carried weekly summaries on Saturdays, others, only seasonally. On the whole, egg prices were given greater attention than poultry prices.

In contrast, only one station broadcast daily local egg and poultry prices. Three devoted some time

to local poultry news on a seasonal or occasional basis, and one station had just recently ceased to broadcast the local market.

The station reporting local markets regularly quoted egg prices by grades. The station that had ceased reporting had formerly reported eggs under private brand names.

Where local markets were reported, one or more local produce houses were usually said to furnish the information by phone. Thus radio stations apparently obtained their price quotations in a manner similar to the newspapers. Only produce houses located in the local market furnished the information, not firms located at some distance from the city.

The men in charge of market news reporting indicated that they were not satisfied with local price reporting. One pointed out that he could not get "characteristic prices." Others wanted more "local stuff." All stated that they were willing to devote time to a state or area report on eggs and poultry once or several times a day if made available. That was true even for those stations that did not consider themselves as typical "farm" stations. The problem of reporting local prices had been faced by all radio stations at some time or other, but in most cases had not yet been solved.

Market News Reporting by an Independent Agency

Since markets were not adequately reported by newspapers and radio stations an improved set-up seemed advisable. Specialized agencies of a state or the federal government have long⁴ been recognized as well qualified to obtain and distribute current price and market information on agricultural commodities

Why Is a Market News Service Useful?

In our economy, farmers and dealers are able, to a large extent, to transact business on the basis of free and independent decisions. They are guided in their decisions largely by the profits that they believe they can make from producing, buying and selling specific products. The greater their knowledge and understanding of prices and price relations, the greater is their chance of conducting their enterprises intelligently and profitably.

A market news service enables individual farmers and dealers to make their enterprises more profitable. By following the reports a farmer could decide to sell his product on a day which, according to his own appraisal, would be profitable to him; or could select from two or more markets the one which, on a specific day, would bring the highest returns. Buyers may learn where to purchase their supplies from day-to-day at lowest costs.

The direct benefit of the service derived from supplying information on short-term price changes cannot, however, be reaped by all the farmers; it depends on the type of commodity they produce and the method of marketing it, the nearness to one or several markets and the frequency with which prices of the

product change. As examples, eggs are often marketed twice a week on farm pick-up routes; prices of chickens do not change in South Dakota for many weeks at a time; or farmers may have only one nearby outlet and the extra costs of driving to an alternative market may not be offset by the higher prices received there. Dealers can take advantage of this particular function of market reporting to a somewhat greater extent because of the regularity of their transactions.

This, however, does not mean that farmers or dealers cannot make use of daily reports in other ways. Market news reports enable buyers and sellers to compare and thus constantly check prices received or offered against the public reports, and of testing whether they sell or buy their product with the right firms and at the right market. For many commodities and for many farmers and dealers, price reports prove to be most useful in this way.

In the long run, the persistent observation of reports on prices and market conditions permits members of the industry to gain an understanding of price behavior in a systematic manner. This in turn assists in planning operations over a longer

⁴The beginning of the Federal Market News Service dates back to 1915, following an Act of Congress in 1913.

period of time. In this sense, the market news service performs an educational function.

Since prices, generally speaking, are the "barometer" indicating changes in demand and supply of agricultural products, knowledge of prices will also increase the understanding of demand and supply conditions and will therefore largely determine the farmers' production and direct the flow of goods to markets where they are most needed. The prompt adjustment of prices in response to changes in demand and supply will in this manner benefit the entire economy.

How Does a Market News Service Operate?

At present, on the federal level, the Production and Marketing Administration of the United States Department of Agriculture is in charge of market news services. It operates through reporters who are stationed at important producing and trading centers and who are well acquainted with the marketing methods and problems of specified agricultural commodities. The agency collects market information by telephone or personal visits to dealers, processors or producers who cooperate voluntarily, and summarizes and disseminates it. The agency has at its disposal a widespread teletype system for the dissemination of its reports (see Fig. 5) and in addition, it makes reports available to radio stations and newspapers.

In several states, the federal government has cooperative agreements with the state governments

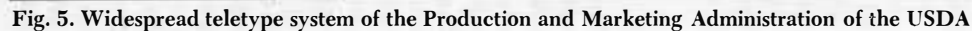
under which the services have been expanded.

Since the agency is not itself engaged in business, but restricts its activity to observing and reporting the markets, it can maintain a completely impersonal attitude towards the industry as well as independence and objectivity in reporting. Its reporters must maintain good public relations with the members of the industry through frequent personal visits or contacts, and understand the changes that occur in the marketing methods.

Price Ranges and Prevailing Prices; Demand and Supply Conditions

All price reports issued by the market news services and related agencies attempt to give price ranges rather than single prices. (Private reports usually carry single prices.) In addition, the prevailing prices are reported as "mostly"—also usually as a range. Prevailing prices are those reflecting the bulk of the transactions in the market. Prices are given usually by grades or classes.

A market report also contains comments on the current supply and demand conditions prevailing in the market covered. Market supply may include reference to current commodity receipts and stocks, either in general terms ("receipts of hens were light but carry-overs were extensive and stocks pressed for sale") or in specific terms ("live poultry receipts yesterday 72,378" or "average plant purchases of eggs in Iowa during the week totaled 940 cases"). It may include the origin of



Courtesy PMA, USDA

receipts. Demand characterizes the aggressiveness of buyers in general ("demand fairly good") or more specific terms ("egg breaking interests were aggressive buyers").⁵

Local Versus Terminal Market Price Reporting

Current price and market information can refer to various types of markets or levels of trading. A "local" market news service reports prices paid to farmers by first buyers or receivers (f.o.b. plant, or f.o.b. farm if farm to plant marketing costs are deducted.)

This is in contrast to prices reported from large terminal or central markets which are not necessarily prices paid to farmers by first receivers; they are usually prices which include added marketing services, such as costs of assembling, transportation and grading; (example: as reported by the United States Department of Agriculture, Chicago daily poultry and egg prices are primarily "wholesale selling prices" to large buyers.⁶

The knowledge of terminal market prices alone is not very helpful to farmers or dealers for their individual transactions because local prices do not always change as much, or in the same direction, as terminal prices.

Changes in local prices may differ from changes in terminal markets for several reasons. First, because the costs of marketing from the local to the terminal markets may vary. Secondly, prices need not necessarily refer to the same "commodity." As an example, terminal market

prices for live poultry may refer to birds for immediate consumption while South Dakota poultry may go into canning industries. Thirdly, local buyers may anticipate price changes by making their own evaluation of market conditions and not changing their prices according to the terminal markets.

Finally, prices reported in the terminal market may not be representative of the market in general. If they are representative of wholesale trading, a close relationship with local markets would be justified and information on them valuable to farmers. If, however, terminal market quotations are based on relatively few transactions, or do not represent all types of produce, such a relationship would not be justified.⁷

In recent years, the importance of the terminal markets for many commodities has decreased while the use of more direct marketing methods increased, and price quotations in terminal markets are based on an increasingly smaller volume of transactions. One could therefore

⁵For a description of definitions and terminology used in a market report issued by federal or federal-state agencies, see *The Market News Service on Dairy and Poultry Products—Nature and Scope*, USDA, PMA, Washington, D. C., Revised October 1951, (mimeo).

⁶Government reports should also be distinguished from private reports such as the Chicago Price Current which seems to rely heavily on the sales, bids and offers at the Chicago Mercantile Exchange and has therefore probably a less broad coverage than the market news reports of the United States Department of Agriculture. Private price reports have been criticized because they are arrived at on the basis of transactions involving relatively small volumes of produce.—Retail prices are also compiled (but not distributed) such as meat prices in New York, for use in comparing live, wholesale and retail margins. But this branch of price reporting is still very limited in scope.

⁷A similar problem exists in butter marketing. See: *Butter Pricing and Marketing at Country Points in the North Central Region*, North Central Regional Publication No. 26, University of Minnesota, Agricultural Experiment Station, Technical Bulletin 203, June 1952.

expect that local prices would be influenced by factors which exert little or no influence on terminal market prices. A market news service reporting on local assembly points would show to producers and dealers to what extent prices move independently from terminal market prices.

While price information for poultry and eggs is available for the leading central markets, the reporting of prices at the producer level is still sparse. With a few exceptions, most midwestern states, which supply a large proportion of the nation's eggs and poultry, have no local, organized market news service and its development is recommended.⁸

Some Limitations to Local Price Reports

In order to fulfill its role completely, a market news service should collect and report prices of all transactions in all markets, or of each buyer's paying price in each market. In reality, this ideal cannot be reached because the costs of collecting and disseminating this infor-

mation would likely be greater than its benefits. Therefore, only a sample of buyers and sellers or markets can be contacted. For that reason, where market reports state prices that are paid to farmers at country points, they cover a relatively wide area. Obviously the benefits to the trade would increase with the number of areas or specific markets reported separately within, say, a state; particularly when prices between markets differ sharply. But funds allocated by federal or state governments will not permit the reporting of many details.

Market news reports should not be confused with price forecasts. They are designed to cover current prices and market conditions prevailing on a specific day. Therefore, they give no clues for future prices. The direct usefulness of a reporting service is thus limited to the transactions which can be decided upon and completed within the time that prices reported remain unchanged.

⁸The most notable exceptions for poultry in the midwest are now: Iowa, South Dakota and Indiana (broiler prices). See also: *Program for Development of the Market News Service of the United States Department of Agriculture*, USDA, PMA, January 1950, pp. 62, 81 (mimeo).

Table 5. Importance of Poultry Production in Various Parts of South Dakota, 1949

Area*	Percent of Farms Selling			Poultry Sales as Percent of Sales of All Farm Products	Average Amount of Sales per Farm		
	Poultry, Poultry Products	Chickens	Eggs		Poultry, Poultry Products	Chickens	Eggs
	%	%	%	%	\$	\$	\$
I	50	27	48	1.6	223	86	152
IIa	73	51	68	3.3	281	78	214
IIb	76	60	70	5.5	435	114	328
IIIa	81	57	77	5.1	394	93	306
IIIb	86	63	84	9.3	559	142	444
IVa	79	64	75	8.3	623	145	464
IVb	82	68	78	6.5	634	158	488
State	75	57	71	5.6	485	124	374

*For economic areas, see Fig. 6.

Source: U. S. Census of Agriculture, 1950.

Economic Effects of Adequate Market News Reports

Compared to the grain and livestock industry, egg and poultry production is a relatively small enterprise on most South Dakota farms. The cash income from eggs and poultry during the past five years was about 7 percent of total cash farm income, and amounted to roughly 40 million dollars per year.⁹ As about 70 percent of all farmers in the state sell eggs and 55 percent sell chickens, the yearly income from these commodities is small on many farms. Though the benefits to many individual farmers may be relatively small in terms of dollars and cents, improvements resulting from an adequate market news service would affect the majority of South Dakota's farmers.

Also farmers may be faced by relatively low prices resulting from lack of knowledge not only for one, but for several products they sell (such as eggs, poultry and cream). A combination of lower prices received could injure farmers more severely even though the sales volume of each individual commodity is small.

Importance of Poultry Production in the State

The importance of poultry to farmers varies throughout the state. As shown in Table 5, poultry and poultry products contributed more to farm income in the eastern part of the state than in the western part. In addition, the number and proportion of farms with over 400 chickens has increased slightly (Table 6).

Table 6. Number and Proportion of Farms With Over 400 Chickens, South Dakota, 1930—1950

Year	Number of Farms Reporting 400 or More Chickens on Hand on Census Date*	Percent of Farms With 400 Chickens, of All Farms Reporting Chickens
1930.....	861 (April 1)	1.2
1935.....	283 (Jan. 1)	0.4
1940.....	336 (April 1)	0.5
1945.....	1475 (Jan. 1)	2.4
1950.....	1036 (April 1)	1.9

Source: U. S. Census of Agriculture

*Chickens four months old or older, except for 1930 and 1935 (3 months).

For turkeys, the scale of operation has increased more sharply

Table 7. Number of Turkeys on South Dakota Farms

Year	No. of Farms Reporting	No. of Turkeys	Av. per Flock
1929	15,813	490,000	30
1934	20,996	817,000	40
1939	24,085	1,300,000	54
1944	7,201	353,000	50
1949	2,488	275,000	135

Source: U. S. Census of Agriculture

over the past 20 years and a relatively small number of producers now raise a large proportion of the total turkey crop in the state. For instance, in 1951, 31 commercial producers with 500 birds or more sold over one-fifth of the state's production of 350,000 turkeys. But turkey production as a whole has decreased and shifted almost entirely to eastern South Dakota (Table 7, Fig. 6).

Undoubtedly the farmers' interest in adequate market reports for a given product is greater if this prod-

⁹From 1935 to 1945 income from poultry and poultry products was on the average about 10 percent of total farm income.

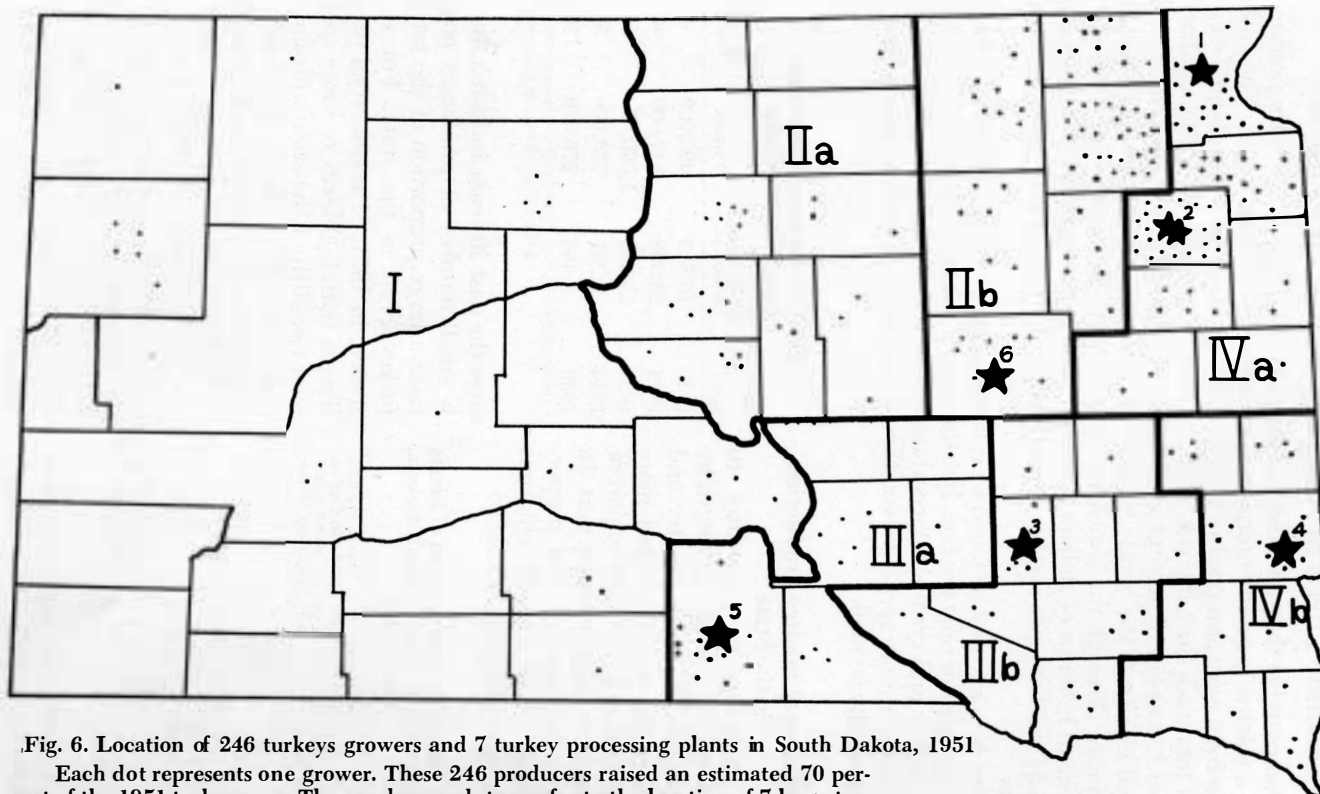


Fig. 6. Location of 246 turkey growers and 7 turkey processing plants in South Dakota, 1951

Each dot represents one grower. These 246 producers raised an estimated 70 percent of the 1951 turkey crop. The numbers and stars refer to the location of 7 large turkey processors: Sisseton, Watertown (two plants), Mitchell, Sioux Falls, Winner, Huron. The Roman numerals refer to census economic areas.

uct constitutes a large share of the income. However, the organization of a market news service for a given agricultural industry should not be decided on the basis of the size of the industry's contribution to agricultural income alone, but also on the basis of the improvements that it can bring about and of the costs in relation to benefits.

Advantages to Poultry Producers

The knowledge of local prices, price ranges and market conditions can increase the farmers' bargaining power and competition because they are more likely to seek the outlets which pay the higher prices.

It may decrease or eliminate the costs which poultry producers are obliged to incur if they have to survey market conditions themselves.

Market reporting enables buyers and sellers to compare, and thus constantly check, prices received or offered against the public reports. It creates and maintains confidence between sellers and buyers—which is important in a competitive economy where pricing is a matter of public concern.

Lack of adequate reports, and differences between published quotations and actual prices paid, gives pricing an element of secrecy, which may lead to a feeling of uncertainty and farmers' distrust of daily price quotations. Producers have then no basis for knowing exactly whether and how much they can expect to be paid above the quotations and whether conditions would justify a price higher than the one they are receiving. This may cause farmers to produce and sell commodities for

which this additional uncertainty does not exist and possibly go out of the chicken business or refuse to enlarge its scale.

The practice of underquoting the market makes it possible to pay different farmers different prices for the same quality simply on the basis of the seller's ignorance. But if buyers pay more than one price during a day for one grade of eggs this is not necessarily evidence of unsound pricing.¹⁰ A change in the market or in the individual dealer's requirements may warrant this practice; or quality differentials might justify paying more than one price for a grade of eggs.¹¹ Nonetheless, it would seem that the practice of underquoting prices would permit an unscrupulous dealer to pay different prices to farmers selling, at the same time, equal qualities of eggs.

An improved market reporting system would not eliminate this possibility or the practice of paying more than one price. But it would give farmers the chance of making their own appraisal of market conditions and individual transactions.

Advantages to Buyers

The advantages are not limited to producers. Though the specialized nature of their activities enables buyers to gain a greater insight into market conditions than farmers, accurate information concerning demand and supply conditions and prices paid in competing markets may assist dealers in conducting

¹⁰One firm paid up to three different prices for current-receipt eggs per day, at least half of the time during the eleven-week period in Spring 1951.

¹¹The South Dakota Egg Regulations (1950) permit the lumping of AA's and A's into one grade when purchasing eggs.

their business operations. For instance, it enables them to test their own pricing policy and whether they are "in line" with the trade. Dealers and processors usually consider market news as invaluable—in fact, the existing services have found that dealers greatly outnumber farmers in their requests for mailed reports and they often urged expansion of the service.

General Adjustments in South Dakota Poultry Marketing

Price Differentials to Reflect Differences in Costs and Quality

The market news service helps to improve the pricing mechanism. Price differentials between areas or markets which are not based on differences in marketing costs or differences in quality would tend to disappear. For South Dakota, there is reason to believe that price reporting can serve this end. Daily poultry and egg prices reported by newspapers or paid by dealers during the spring of 1951 usually showed a relatively wide range for which differences in marketing costs or differences in quality may not account.¹² In fact, egg prices prevailing in markets located within a radius of about 100 miles from Brookings, South Dakota, appeared to range as wide or wider than prices over the entire State of Iowa, as reported semi-weekly by the federal-state market news service in that state for the same period. Producers who learn about these differentials will attempt to bargain for the higher prices and this may result in narrowing the price range.

Raising the Price Level

A similar result can be expected for differentials existing between prices of eggs and poultry marketed in South Dakota and in neighboring states.¹³ This may come about by increasing inter-state competition. South Dakota egg and poultry prices are almost the lowest in the nation. Increased competition from buyers in other states would increase returns to producers in the state, to the extent that price differences are not justified by differences in quality and marketing costs but are a result of the lack of knowledge of producers and buyers of local conditions.

Encouraging Marketing of Graded Products and Increased Specialization

One of the important improvements through market news would be a better understanding by both farmers and buyers of egg and poultry grades and grading methods, and the observance of the state's laws and regulations. Reporting of local prices by uniform grades also enables producers to become aware of price differentials between grades. If these differentials are profitable to producers, they will become "quality conscious" and exert greater pressure on buyers to purchase eggs on a graded basis.¹⁴ For the state of Iowa, the market

¹²The current Semi-Weekly Reports issued by the South Dakota State Department of Agriculture also showed considerable differences between areas and a wide range, in the beginning. It is as yet too early to determine whether price reporting can succeed in narrowing these differences.

¹³As to differences in quality of eggs between South Dakota and other states see *Egg Marketing Losses in South Dakota*, Agricultural Experiment Station, South Dakota State College, Bul. 414, 1952.

news reports are claimed to have played an important part in replacing purchases of eggs on a current receipt basis by purchases on a graded basis. As the proportion of eggs purchased on a graded basis increases, quality improvements will take place and returns to producers will increase. As price uncertainty decreases, more farmers may be inclined to enlarge their scale of operation or specialize in poultry raising, with the consequent improvement in quality.

Adjustment of Local to Terminal Market Prices

A large proportion of South Dakota poultry products moves to terminal markets, and prices in these markets, particularly Chicago, exert an important influence in setting local poultry and egg prices. (This is exemplified by one large egg processor who, in answer to the question whether a favorable price from one of his buyers would be reflected immediately in the price he paid to producers, answered in the negative and stated that he would still be governed by Chicago prices.) Increased competition through greater knowledge would tend to minimize the spread between terminal and local prices to farmers and to make this price spread reflect more accurately the average costs of getting the commodity from the local to the terminal market.

However, poultry and eggs move also from the state to interior canning or processing plants, and eggs to nearby breaking and freezing plants. It is not well known to what

extent this by-passing of terminal markets affects prices of poultry in local assembly points. But an adequate market news reporting service may assist in showing whether the influence of the Chicago price quotations, for instance, is always prevailing and whether other factors should not receive more attention. It would be particularly helpful in this respect if market reports would report not only on local prices, demand and supply conditions, but also on the movement of produce and its destination.

Costs Versus Benefits

The costs of establishing and conducting a poultry news service in the state are relatively small. They are composed of such items as salary for the reporter, clerical assistance, rent for office space and expenses incurred from collecting and disseminating the reports and contacting members of the industry.

In terms of dollars and cents, the benefits are likely to be much larger, though it is difficult to estimate them accurately. For instance, an increase of only 1/2 cent per dozen of eggs sold in the state, resulting from improved knowledge of the market situation, could return to farmers an amount exceeding one-half million dollars per year.

Some benefits may not be realized immediately, however. On the part of farmers it takes interest and experience to make use of market information and profit by it. There is a

¹⁴A simple illustration of dollar and cents advantages of selling good quality eggs on grades with a small and large price differential is shown in previously quoted South Dakota Agr. Ex. Sta. Bul. 414, p. 19.

real challenge for poultry producers to take the fullest advantage of market reports and for the agency to use all known means to bring information to them.

Time and experience are necessary for the agency collecting and disseminating the news to publish reports of maximum usefulness to the industry. Accuracy and timeliness of reports will be achieved only after lengthy tests. Ideally they should be made available to the

public daily at the time when business is transacted. For the local markets a daily report, issued in mid-morning, available over the radio several times during the day would fulfill these conditions. Mailed reports usually enable producers and buyers only to verify their returns or price offers. (In Iowa, the federal-state market news service issued semi-weekly reports for several years until the reports were put on a daily basis early in 1952.)

An Experiment in Price Reporting

From August to December 1951 a weekly turkey market report was issued by the South Dakota State College each Friday afternoon. The purpose of this experiment was to study some of the problems connected with collecting and disseminating poultry market news by an independent agency.

The turkey industry had been lacking in local information and turkey growers had expressed the wish to have such a service. Since a large proportion of the state's producers and dealers could be contacted, it was possible to make a fair evaluation of the usefulness of such reports to this industry.

Method of Collecting and Disseminating Prices

It was originally planned to obtain data on prices and numbers of turkeys handled, both from the seven largest processors and from about 250 turkey growers whose names had been obtained from the Turkey Growers Association, feed companies, and other sources (Fig. 6).

The six firms which furnished information for the reports were reached by telephone Fridays between 1 and 2 p.m.¹⁵ They volunteered data on the amount and the breed of birds processed or purchased during the week, prevailing prices, and general and local market

conditions, including the quality of the turkeys being marketed.

The 250 producers, representing about 10 percent of all the turkey growers in the state, raised an estimated 70 percent of the 1951 South Dakota turkey crop of 350,000 birds. The growers had been requested to mail to the reporting agency detailed information on prices and volume, breed, weight and age of birds after each sale. However, only a few complied and their information arrived too late to be of value in issuing current reports.

The two main production and processing areas were reported separately: Watertown-Sisseton (north-

¹⁵One plant did not furnish the information.

ern area) and Sioux Falls-Mitchell-Winner (southern area).

In addition, current Iowa and Chicago markets and miscellaneous information on turkey marketing were included.

The reports were mailed the same day to growers, members of the industry and radio stations. Several stations received the information in time to broadcast summary reports on Saturdays. It was estimated that the growers were all in receipt of the mailed reports by the following Mondays.

The weekly reports were not as timely and their dissemination not as rapid as is desirable for an adequate service.¹⁶ However, the processing plants in the state usually had completed their week's purchases by Friday, and Friday prices gave an indication of what prices farmers could expect to get in the beginning of the following week.

Producers' and Processors' Acceptance

The reaction of producers and dealers was nonetheless favorable. With the exception of one, all producers who replied to a subsequent questionnaire stated that the reports proved helpful in marketing turkeys and provided a source of information not previously available. The majority were in favor of a weekly report sent by mail. This may be surprising since a greater preference for more frequent radio broadcast reports was expected. It is likely that South Dakota turkey growers were biased in favor of weekly re-

ports because they had no experience with other types of local news coverage. Another factor may have been that the unusually strong demand for turkeys in the fall of 1951, placed turkey growers in an advantageous bargaining position and made the need for adequate current information less obvious. Producers reported a much larger number of price bids from processors in 1951 than in 1950 because of increased competition for the birds.

Buyers also were satisfied. One processor felt that the market may have been underquoted at times. If that were the case, it may have been caused by the relatively small number of firms contacted. The larger the number of reporting firms, the more accurate the reports are likely to be.

Small Volume of Transactions a Problem. A Suggested Solution

The main problem encountered in this experiment was found in the relatively small volume which was transacted at certain times in the state. The number of birds sold or of birds of a given breed was often too small to establish a price range, a prevailing price or data on specific breeds (Table 8). This would have been the case even if local turkey markets had been reported for the state as a whole rather than by areas. Whether the reporting by area should be continued cannot be stated conclusively after one year's experience. Market conditions appeared to be sufficiently different to

¹⁶Limited funds did not permit a more frequent and rapid collection and dissemination of reports.

Table 8. Market Reports for Hen and Tom Turkeys in Southeastern South Dakota, Each Friday from August to December 1951, As Reported by South Dakota State College (Prices in Cents per Pound, F.O.B. Farm)

Date	Total Volume No. of Birds	Hen Turkeys Range	Mostly	Tom Turkeys Range	Mostly	Comments
Aug. 31						No sales reported during week. Prices quoted 32-38c, mostly 35½c. No birds processed.
Sept. 7						No Turkeys processed. Prices quoted 35-37c. No sellers.
Sept. 14						No turkeys processed. No prices quoted. Some birds moving into neighboring states.
Sept. 21						No activity reported. Birds apparently not ready. No prices quoted.
Sept. 28						Not enough birds processed to establish a market. Prices offered 36-38c for hens, 31-34c for toms depending on weight and finish.
Oct. 5						No turkeys processed this week. Prices offered 36-37c for hens; 31-33c for toms.
Oct. 12						No turkeys processed this week. Prices offered 37c for hens; 33c for toms. Processors report that turkeys in this area are not ready as yet.
Oct. 19	1500		37			No tom market established. Movement slow.
Oct. 26						Not enough turkeys processed to establish a market. Birds expected to start moving the next two weeks.
Nov. 2	2000	38½-40		30-34		
Nov. 9	5200	38½-41	39-40	32-34	33-34	
Nov. 16	6500	40-41½	41½	32-35	34-35	
Nov. 23	15500		41½		35	
Nov. 30	10500		44		35	
Dec. 7	1800	44-47	45½		36	
Dec. 14	8000		45		36½	
Dec. 31	300					No market established.

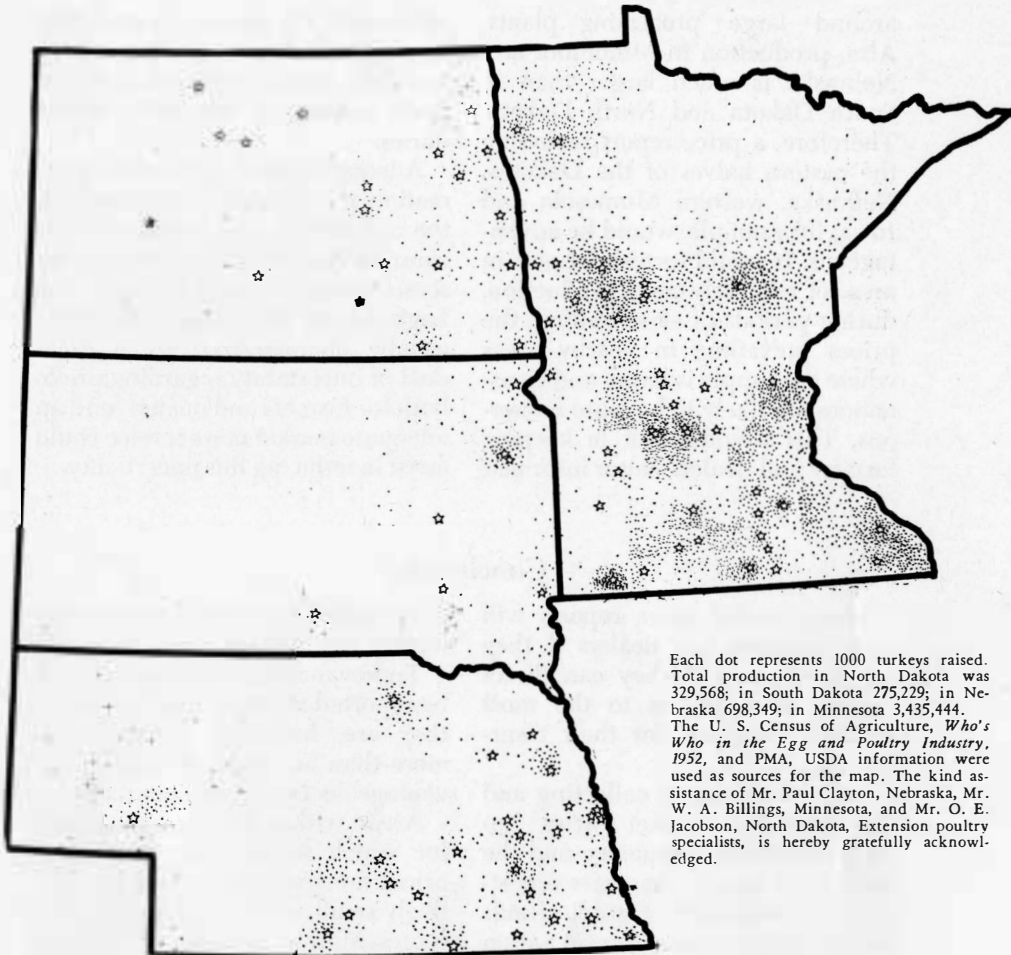


Fig. 7. Farm production of turkeys in North and South Dakota, Nebraska and Minnesota and location of turkey processing plants 1949 (County unit basis)

justify the procedure. The volume of processed birds reported by plants in the southeastern area (Sioux Falls-Mitchell-Winner) was 51,300 birds, as against 134,400 in the northeastern area (Watertown-Sisseton).¹⁷ Prices ranged slightly higher, from one-half cent to 3 cents, in the southeastern area most of the time, and the strong demand for tur-

keys in fall of 1951 probably tended to equalize prices throughout the state.

In the future, it may be desirable to report turkey prices not only for South Dakota but for adjoining states as well. From Fig. 7 it is apparent that turkey production is concentrated in scattered areas

¹⁷Not including all birds processed for growers' account.

around large processing plants. Also, production in Minnesota and Nebraska is much larger than in South Dakota and North Dakota. Therefore, a price report including the eastern halves of the Dakotas, Nebraska, western Minnesota and Iowa, for example, would be advantageous. It would furnish farmers in areas of relatively small production, during periods of slow trading, the prices prevailing in nearby areas where the supply is larger and transactions are likely to be more numerous. This would result in keeping farmers and dealers better informed

all around. Of course, no one state agency is likely to be willing or able to collect and disseminate price reports outside of the state's boundaries.

Adequate price and market information is especially important for the midwestern turkey industry because of the relatively short trading season largely during the fall. The beginning of the season is therefore usually characterized by a great deal of uncertainty regarding prices both for farmers and dealers, and an adequate market news service could assist in reducing this uncertainty.

Conclusions

Local market news reports will profit farmers and dealers if they are timely and if they can direct farmers and dealers to the most profitable markets for their transactions.

Since the costs of collecting and disseminating market news increases with the frequency and the number of areas or markets reported, the availability of public funds for the collection and dissemination of local poultry and poultry products prices can become a limiting factor.

On the basis of this study and the experiences gained in the reporting experiment, the following conclusions or suggestions are presented.

To be timely, reports should be broadcast at least once a day by the major radio stations, and carried by all daily newspapers in the state. They should be supplemented by weekly or semi-weekly summaries

to be mailed to farmers, dealers and weekly newspapers.

Turkey markets and prices should be reported at least twice a week. If they are, however, reported, for more than one state, it may be advantageous to report them daily.

Areas within the state or states for which market conditions and prices are reported should be relatively small, and within each area a representative sample of dealers should be contacted. Only if it becomes evident that there are no significant price differences between areas, should the size of the areas be permitted to increase.

Since area reports fail to reveal produce prices prevailing in specific markets (for instance: Sioux Falls), daily newspapers and radio stations, in South Dakota, which now perform this task inadequately, should be encouraged to improve their reporting of prices prevailing in the

communities in which they are published or broadcast. Such an improvement would require some sort of voluntary cooperation between the newspapers, the local dealers and the market news agency. One method would be for the agency to collect price information from one community and to report it back to the newspaper published in that community. Such an arrangement would result in producers being able to check specific markets against prices prevailing in the area or areas. It would have the advantage of integrating the newspapers' work with that of the reporting agency.

In addition to local prices, the major terminal market prices should be reported. Some dealers in the state are anxious to obtain daily prices prevailing in markets other than Chicago.

Of considerable assistance to producers and handlers in understanding the various factors affecting prices paid by local dealers would be reports not only on the local supply and demand conditions, but also on the movement of the produce and its destination.

The value of market news to South Dakota egg and poultry producers and buyers would greatly increase, if the market news service would be expanded so as to include neighboring states or areas. Incidentally, this would also benefit producers in those states or areas who do not now have local price reports. For poultry and eggs, and particularly turkeys, this would prove to be of great value because the volume of chickens, eggs or turkeys market-

ed at certain times of the year becomes fairly small. It should be kept in mind that state boundaries do not coincide usually with the boundaries of supply areas.

This expansion of the market news service could be brought about by the cooperation between state departments of agriculture and the United States Department of Agriculture in establishing strategically located offices and in joining the widespread teletype system of the federal market news service. For example, a reporter located in Yankton, South Dakota (or South Sioux City, Nebraska), could cover markets in South Dakota and Nebraska; or if located in Brookings, South Dakota, the eastern halves of the Dakotas and Nebraska and western Minnesota.

Occasionally dealers' prices should be checked against prices received by producers in order to test the accuracy of reporting. This would benefit both buyers and sellers and increase their confidence in the reports.

Finally, the reporting agency should cooperate with the State Department of Agriculture and the College Extension Service in an educational campaign to increase the farmers' and dealers' interest in keeping up with, and making use of, current market news. Their attention should be drawn to the advantages and limitations of price reporting, and to such problems as the methods of collecting prices at various levels of trade and the differences between price quotations and terminology used.

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