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A Summary of Livestock Marketing in South Dakota

W. P. COTTON

For the five-year period 1936-40 livestock sources were responsible for 78.7 percent of all farm cash income in South Dakota, exclusive of government payments. Of all the cash income from livestock sources the sales of the following species of animals accounted for specified percentages: Cattle, 32.7; hogs, 25.5; and sheep, 5.5 (See Figs. 1 and 2).

The distribution of livestock in the state and the boundaries of the areas into which the state was divided for this study is shown by Figs. 3, 4 and 5. Cattle are distributed much more uniformly over the state, with the greatest concentration in the southeastern areas, 1 and 6 (See Fig. 3). Hog production has its greatest concentration in the southeast in Area 1 (See Fig. 4). Sheep are grown all over the state, but by far in the largest numbers in the northwest in Area 7 (See Fig. 5).

Of various services required in getting meat to the consumer, livestock marketing of slaughter animals alone ordinarily absorbs from 3 to 6 percent of the retail meat price and from 7 to 17 percent of the farm value of the livestock. Of course for animals that are marketed first as feeders and then resold later for slaughter the marketing costs run considerably higher and consequently take a larger share of the retail meat dollar. Therefore, it is of significance to note that a high percentage of livestock in South Dakota is sold as feeders to be later resold for slaughter.

Many Shifts in Livestock Marketing Methods During Last Two Decades. For a number of decades preceding World War I the ma-

Introductory Note

This publication on livestock marketing represents part of a regional study conducted cooperatively with 13 other state agricultural experiment stations in the Corn Belt area and the Division of Marketing and Transportation of the United States Department of Agriculture, Bureau of Agricultural Economics.

This circular is designed and published as an abbreviated and graphic summary of the detailed report published as South Dakota Agricultural Experiment Station Bulletin 362.
Majority of livestock was sold through terminal public markets. However, since that time numerous developments have taken place that have caused considerable change in marketing methods. In recent years there has been a growing tendency to establish slaughter plants at interior points. This, together with improvement of motor transportation facilities, has led to a great increase in direct marketing of slaughter animals, and a decline in marketings through shipping associations and terminal public markets.

In still more recent times, in many states, there has been considerable development of livestock auction barns or agencies. These have diverted parts of the volume of livestock, particularly stocker and feeder animals, from older types of markets.

All of these changes have created new problems in the marketing of livestock, causing shifts in methods and practices employed.

The Old Problem of Skilled Buyer Competing With Unskilled Seller Remains. The typical livestock producer sells relatively few animals per year, and usually sells these in several small lots. The infrequency with which he sells, and is on the livestock market, raises the question as to how well he is equipped to compete with the buyer who makes many purchases every day. This question is particularly applicable in the case of cattle sales where there is such a wide variation in grades and prices.

Farmers generally recognize that it is more difficult to differentiate between the various classes and market grades of cattle, and that market news covers these various grades less adequately than for other species of livestock. More than 30 percent of the farmers reporting stated that they did not consider themselves qualified to act as their own cattle salesman.

Wide Variety Exists in Market Outlets. Livestock may be sold directly to a packer or to a feeder by farmers or it may move through indirect channels (See Fig. 6). Marketing agencies considered in this study were terminal public markets, packing plants, livestock auction agencies, dealers, concentration

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Fig. 1. Sources of Farm Cash Income in South Dakota—1936-1940.

Fig. 2. Sources of Farm Cash Income in South Dakota—1936-1940. (average percentage from each source)
yards, cooperative livestock shipping associations, retail meat dealers doing their own slaughtering, and farmers. The distribution in the state of the various types of marketing agencies is shown in Figs. 7, 8 and 9.

The type of market employed by South Dakota farmers in selling livestock varies materially according to location, class of animal, and number of animals sold per sale.

Market Channel Used Varies by Type of Livestock Sold. During 1940 South Dakota farmers sold about 15 percent more feeder than slaughter cattle, about 10 times as many slaughter hogs as feeders and about 5 percent more feeder than slaughter lambs. The eastern and south central sections of
the state (Areas 1, 2 and 6) are the principal feeding areas and produce most of the slaughter livestock. In 1940, slaughter livestock sales by farmers in these three areas represented 83 percent of all slaughter hogs; 80 percent of all slaughter cattle and calves; and 70 percent of all slaughter sheep and lamb sales made by farmers in the state (see Figs. 10, 11, 12 and 13).

Farmers sold about one-half of their slaughter cattle through terminal

1. **Direct**

2. **Through Livestock Auction Agency**

3. **Through Terminal Public Market**

Fig. 6. Channels Through Which Livestock May Move when Marketed.
public markets, and about one-fourth direct to packing plants in 1940. In contrast, one-half of farmer sales of slaughter hogs went to packing plants, and slightly less than one-third to central public markets. Each of these two types of markets secured direct about 45 percent of the slaughter sheep and lambs sold by farmers (See Figs. 14, 15 and 16).

Farmers sold more veal calves (about 36 percent) through auction barns than through any other type of market. They also sold about an equal proportion of feeder cattle to dealers, auction agencies, and terminal public markets, with sales to other farmers representing a slightly lower share. More than one-half of the feeder hogs sold by farmers were consigned to auctions.
Fig. 10. Percentage of Farms Reporting the Sale of Specified Classes of Livestock by Areas in South Dakota—1940.

while another one-fifth were bought directly by other farmers. Dealers obtained over one-half of all feeder sheep and lambs sold by farmers, with another one-third sold direct to farmer feeders (Figs. 14, 15 and 16).

Direct sales from farmers to other farmers were more frequent for breeding stock of all species than were sales to any other type of marketing outlet. The percentages of slaughter and feeder animals sold through different types of markets is shown by areas for cattle in Figs. 17 and 18; for hogs in Figs. 19 and 20; and for sheep in Figs. 21 and 22.

Relationship of Size of Lot and Type of Market Used in Selling. Of the farms selling different species of livestock about one-half sold less than six
cattle and less than 11 hogs per sale, and one-third sold less than 20 sheep and lambs per sale (Fig. 23).
As the size of sales of slaughter animals increased there seemed to be an influence on the type of market selected, but in many instances this relationship seemed to be influenced by the location and concentration of the animals sold, and the degree of competition of other markets. In other words, no given type of market appeared to be first choice in all areas of the state even where number sold per sale was considered (See Fig. 24).

As the number of feeder animals sold per sale increased, the proportion of all species sold direct to feeders increased. The proportion of cattle and sheep sold by farmers through auctions decreased, however, as compared to an in-
crease for hogs. (See Fig. 25). Fig. 26 shows a comparison of the percentage of all farms that sell animals in lots of specified numbers, and also the percentage of all animals sold in those same sized lots. Only 9 percent of the farms sold cattle in lots of more than 20 head per sale. These farms sold, however, almost one-third of all the cattle reported.

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**Fig. 15. Percentage of Hogs and Pigs Sold by Farmers Through Various Agencies in South Dakota—1940.**

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**Fig. 16. Percentage of Sheep and Lambs Sold by Farmers Through Various Agencies in South Dakota—1940.**

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**Fig. 17. Percentage of Slaughter Cattle and Calves Sold by Farmers Through Various Agencies by Areas in South Dakota—1940.**

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**Fig. 18. Percentage of Steer and Feeder Cattle and Calves Sold by Farmers Through Various Agencies—By Areas in South Dakota—1940.**
Fig. 19. Percentage of Slaughter Hogs and Pigs Sold by Farmers Through Various Agencies by Areas in South Dakota—1940.

Fig. 20. Percentage of Feeder Hogs and Pigs Sold by Farmers Through Various Agencies by Areas in South Dakota—1940.

Fig. 21. Percentage of Slaughter Sheep and Lambs Sold by Farmers Through Various Agencies by Areas in South Dakota—1940.

Fig. 22. Percentage of Feeder Sheep and Lambs Sold by Farmers Through Various Agencies by Areas in South Dakota—1940.

Fig. 23. Average Number of Livestock Per Sale by Areas in South Dakota—1940.

Fig. 24. Relation of Number of Slaughter Livestock Sold Per Farm to Type of Market Selected.
Fig. 25. Feeder Livestock Sold Through Each Type of Outlet in South Dakota—By Areas, Classified by Number Sold Per Farm for Each Species, 1940.

Fig. 26. Percentage of Farms Selling and Percentage of Livestock Sold by Number of Animals Per Sale in South Dakota—1940.

Fig. 27. Effect of Size of Purchase on Type of Market Selected. (Percentage of various sized purchases from different types of markets.)

Fig. 28. Comparison of Numbers of Feeder Livestock Bought and Sold by Farmers in Different Areas of South Dakota—1940 (Numbers in thousands.)

About one-half of the farms sold hogs in lots of 10 head or less. Only 15 percent of the farms sold in lots of more than 25 head, but sold 29 percent of all hogs marketed.
Approximately 43 percent of the farms selling and 91 percent of the
sheep marketed, sold in lots of over 25 head.

**Relationship of Size Lots to Type of Market Used in Buying.** Purchases
in lots of more than 25 head constituted three-fourths of all feeder cattle
bought by farmers and these were purchased by one-fifth of the farmers who
bought. Sixty-five percent of all feeder hogs bought by farmers were obtained
in lots of more than 25 head and were purchased by only one-tenth of the
farmers buying. Ninety-seven percent of all sheep and lambs purchased by
farmers were bought in lots of more than 25 head and were obtained by about
one-half of the farmers buying.

As the size of purchases by farmers of feeder livestock increased there was
a tendency to patronize producers less and auctions more for cattle and hogs,
but auctions less and producers more for feeder sheep and lambs (See
Fig. 27).

**Relative Importance of Feeder Animal Purchases and Sales, by Areas.**
Relative importance of the selling and buying of feeder livestock by farmers
in the different areas is shown in Fig. 28. In the case of cattle every area sells
more than it buys, except in Area 1. Here more than twice as many feeder
cattle and calves are bought than are sold as such. Farmers in this area buy
about 65 percent of all farmer-bought feeder cattle in the state. Farmers in
Area 2 bought another 10 percent.

Considerably more feeder hogs were bought than sold by farmers in 1940
in Areas 1, 2 and 8 (See Fig. 28). In the other areas, sales exceeded purchases.
Area 1 alone had approximately 41 percent of all farmer purchases in the
state, while adjacent Areas 2 and 6 purchased 23 and 18 percent respectively.
Thus, these three eastern areas bought 82 percent of the state total.

In the case of feeder sheep and lambs, Areas 1, 2 and 6 are again the sec­
tions in which farmer purchases exceeded farmer sales (See Fig. 28). These
areas accounted for 34, 17 and 19 percent respectively of the state’s total

![Fig. 29. Means by Which Livestock Sold by Farmers in South Dakota were Moved from Farms by Areas—1940. (Percentages of spe­
cies by each method.)](image)
farmer purchases. Area 7 in the northwest, although the heaviest seller of all areas, also accounted for 23 percent of the state’s farmer purchases. It is in this area that the “Belle Fourche” lamb feeding operations take place.

**Hired Truckers Main Transportation Method.** Hired truckers were the principal means by which livestock was moved from farms to market, with

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**Fig. 30.** Livestock Picked up at Farms by Trucks Operated by Dealers in South Dakota from Various Distances, Classified by Species, 1940.

**Fig. 31.** Trade Area of South Dakota Livestock Auctions in 1940. (Percentage of various classes of livestock received by truck that came from specified distances.)

**Fig. 32.** Livestock Received at Yards of Local Cooperative Marketing Associations in South Dakota from Various Distances, Classified by Species, 1940.

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**Fig. 33.** Livestock Received by Retail Meat Dealers who Slaughter in South Dakota, From Various Distances, Classified by Species, 1940.

**Fig. 34.** Livestock Procurement Area of 9 Packing Plants in South Dakota—1940 (Percentage of various classes of livestock received by truck that came from specified distances.)

**Fig. 35.** Livestock Procurement Area of 6 Packing Plants in South Dakota—1940 (Percentage of various classes of livestock received by rail from specified distances.)
this group moving more than 50 percent of the cattle, hogs, sheep and lambs in practically every area of the state except the north central (Area 4). In this area the bulk of the livestock was moved by the buyer (See Fig. 29).

Minority Reports Membership in Cooperative. Less than 3 percent of the farmers reporting stated that they were affiliated with any form of livestock marketing cooperative. However, about one-fourth of all livestock sold at the Sioux Falls public market is consigned to cooperative commission firms.

Principal Problems in Livestock Marketing as Listed by Farmers. Transportation, current market information that would be adequate for making time and place choices of marketing, price outlook information, expense, price fluctuations in short periods, and price differentials for small and large lots were listed by farmers as the principal problems of livestock marketing.

Sources and Disposition of Livestock Through Agencies Vary. Almost one-third of the hogs and one-half of the other livestock passing through auction rings or handled by dealers but not picked up on farms, came from more than 50 miles from the location of the auction or dealer. A smaller percentage of animals picked up on farms by dealers' trucks came from outside a 50-mile radius (See Figs. 30 and 31).

Local cooperative livestock marketing associations and retail meat dealers who slaughter obtain the greater portion of their livestock within a radius of 25 miles (See Figs. 32 and 33).
Packing plants received more than 90 percent of their hogs and about two-thirds of other species by truck. About 20 percent of the truck-transported cattle and sheep and 12 percent of the hogs came from a radius outside of 100 miles. Of the rail transported animals, about 5 percent of the hogs and 95 percent of the cattle and sheep came from a source more than 200 miles (See Figs. 34 and 35).

Ninety-nine and nine-tenths percent of the hogs, 96.6 percent of the cattle, and 88.1 percent of the sheep received at the Sioux Falls terminal market were delivered by truck. More than two-thirds of each species transported by truck came from within a 50-mile radius of the market (See Fig. 36).

Sixty-eight dealers obtained more than 50 percent of their cattle and calves, more than 60 percent of their hogs, and more than 75 percent of their sheep and lambs directly from farmers. Another 40 percent of the cattle and calves, 35 percent of the hogs and 5 percent of the sheep and lambs came from auctions. In each species the dealers obtained a slightly larger proportion of purchased feeder and breeding animals from farmers than of the total purchased slaughter animals. But a higher percentage of slaughter animals than "other" were bought from auctions (See Fig. 37).

These dealers sold about one-half of their slaughter cattle and calves and 95 percent of their slaughter hogs and lambs directly to packing plants. The

![Fig. 39. Numbers of Feeder and Breeding Livestock Sold and Bought by Farmers Through Auctions by Areas in South Dakota—1940. (Numbers in thousands.)](image)

![Fig. 38. Types of Markets Used by 64 Dealers in Selling Livestock in South Dakota—1940. (Percentage sold at each type by classes.](image)
balance of the slaughter cattle and calves were divided about equally between terminal public markets and auction barns. Dealers' principal disposition of feeder and breeding cattle, calves and hogs was through auctions, while about 83 percent of the feeder and breeding sheep and lambs were sold direct to farmers (See Fig. 38).

Approximately 80 percent of the cattle, calves, sheep and lambs and 60 percent of the hogs sold through 23 auctions were reported as falling in the feeder or breeding classes. Farmers' reports indicate that they consign about one-half of the cattle and sheep, and about one-fourth of the hogs; while they buy about 75 percent of the cattle, 60 percent of the sheep, and 40 percent of the hogs handled through auctions (See Fig. 39). Reports from auction managers indicate that farmers sell the greater percentage of all livestock consigned to auctions and buy the larger percentage of feeder animals sold (See Fig. 40).
Packing plants obtain about 70 percent of their hogs, sheep and lambs, and about 45 percent of their cattle and calves from farmers direct or from packer buyers in the country. Terminal public markets supply packers with about one-fourth their cattle, one-eighth their calves and hogs, and 5 percent of their sheep and lambs. Dealers and local cooperatives supply most of the balance.

Of the livestock received at the Sioux Falls public market in 1940, about one-half the hogs, 60 percent of the cattle, three-fourths of the sheep and lambs, and 90 percent of the calves were shipped out for stocker and feeder, breeding and slaughter purposes. The balance was slaughtered locally.

Trading by Head and by Weight Is Compared. Practically all slaughter hogs and lambs sold by farmers in the state were sold by weight, but about 10 percent of the slaughter cattle and 66 percent of the veal calves were sold by the head (See Fig. 41).

In buying stockers and feeders farmers traded by the head much more frequently than in selling slaughter animals, with reports showing 45 percent of the cattle and calves, 41 percent of the hogs and pigs, and 24 percent of the sheep and lambs bought by the head.

Livestock auctions sell slaughter animals of all species mostly by weight, while feeder and breeding animals are sold about as commonly by the head as by weight. Sales by the head are much less prevalent at the auctions in the eastern fifth of the state than in other areas.

A large percentage of the hogs handled by dealers are slaughter animals. Hence, about 95 percent are bought by weight. In contrast, about 30 percent of the sheep and lambs and 58 percent of the cattle and calves were reported by 66 dealers as bought by the head. Packing plants bought practically 100 percent of all species by weight, with only occasional animals being bought by the head.

Grading and Price Determination Practices Vary. Of the livestock bought by 38 dealers about 5 percent of the hogs, and 25 percent of the veal calves

![Fig. 41. Percentage of Slaughter Livestock Sold by Farmers, by Weight and by Head, by Areas in South Dakota—1940.](image-url)
and lambs were reported as bought in mixed lots, were ungraded, and paid for at a flat price per pound for the lot. Definite schedules of grades are used by a small percentage of dealers.

On the whole, auction agencies seem to grade into fairly uniform lots in regard to size, color, finish and weight. This is simplified by a large percentage of the lots sold consisting of single or a relatively few animals.

Prices on practically all cattle, calves, sheep and lambs bought by dealers are agreed upon after examination, but one-fifth of the hogs are bought by telephone description. This emphasizes the greater uniformity and wider spread knowledge of grades in hogs.

Packing plants reported that approximately 99 percent of hogs and lambs were priced at the plant, but that about 30 percent of the cattle, sheep and lambs were inspected, and had the price agreed on before being moved to the plant.

Characteristics of Livestock Auction Agencies and Terminal Public Markets. Of the 49 livestock auctions doing business in South Dakota in 1940, the six largest handlers of each species accounted for 45 percent of all cattle and sheep and 36 percent of all hogs sold through auctions. Eighteen auctions studied did an average yearly business of three-quarters of a million dollars. Of these, the largest accounted for two and one-half million dollars and the second largest for one and one-half million dollars.

The average number of buyers and sellers attending each sale, as reported by 15 auctions, was 35 and 105 respectively. The extreme low reported was 15 buyers and 35 consignors, while the extreme high was 100 buyers and 400 consignors.

Only 4 of 21 auction operators reported that they, or the auctioneer, never bought livestock in the country for resale at the auction, nor bought at the auction. Of 21 auctions reporting, four charged commissions on the basis of percentage of gross sales on cattle, calves and horses, while three used a similar basis for hogs and sheep. These were either flat rates or graduated on a value basis. The balance charged by the head. But, here, the majority graduated their charges either on a basis of value, numbers, size of animal, or some combination of these factors.

Each auction agency is required to post a surety bond guaranteeing the sums due consignors of livestock or other property. The amount of this bond ranges from a minimum of $3,000 up to the average weekly value of sales conducted by the agency.

Every auction agency is under the supervision of the State Livestock Sanitary board and is required to provide veterinary inspection of all livestock handled.

All firms operating on the terminal public market are bonded and are under supervision of the Packers and Stockyards Administration. This supervision also includes veterinary inspection of all livestock.
Scale Inspections Required. All livestock scales used for public weighing are under the supervision of the Public Utilities Commission and are supposed to be inspected and tested periodically. In those markets which come under the Packers and Stockyards Act scales are federally inspected at regular intervals.

Conclusions

Transportation is one of the greatest livestock marketing problems in South Dakota. This is voiced most frequently by producers in the Central and Western areas of the state. Distance is primarily responsible for this situation; distance that first must be covered to secure an economical load, and second, distance that must be covered from the point of production to the ultimate market. This distance means high costs in mileage, shrinkage, bruising and crippling, non-availability of transportation when needed, and often poor service even when obtained.

Scarcity of livestock per square mile, particularly when broken down into slaughter and feeder classes, emphasizes the marketing problem because of the lack of most types of marketing agencies in such areas.

The majority of farmers in South Dakota sell cattle and hogs in much fewer numbers than truck or car lots, and hence are limited in economical marketing opportunities, both as to transportation and knowledge of time and place to sell.

Dealing in feeder or slaughter animals by the head in certain areas of the state places the seller at a disadvantage compared to the more experienced buyer.

Lack of knowledge of market classes and grades puts the producer at a distinct disadvantage in selling or buying livestock, particularly cattle. This lack of grade knowledge is supplemented by a scarcity of market news that is specific enough for the producer to apply it to the particular grade of animal that he has for sale.

The prevalence of consignments and purchases at livestock auctions by dealers and truck buyers indicates a service rendered in this marketing process. In many cases, however, it is questionable if the volume handled by individual dealers or methods employed in their purchases or sales, leads to economy for either the producer or the ultimate consumer. This is particularly true of those dealers who buy at one auction agency and sell at another.

The desirability of the practice of some auction operators buying or sponsoring purchases in the country for resale at their auctions, or of purchasing at the auction, is open to question.

Terminal markets are criticized by a few producers on the grounds of differentiating in the price paid small and large shippers, and high costs of yardage, commission and feed.
Packing plants purchasing livestock directly at their plant or in the country receive some criticism on the grounds of lack of competition and differentiation in price for small shipment.

Wide price fluctuations from day to day are a source of concern to most producers, and are a distinct detriment to efficient transportation and orderly marketing.

Future reforms in livestock marketing in South Dakota will probably be centered about more efficient assembly and transportation methods; an improved system of grading and pricing; the direction of those grades toward those outlets which have the greater demand for particular grades at a particular time; dissemination of more descriptive market news in regard to specific grades; control of the extent to which prices may fluctuate from day to day; and still greater attention toward bringing the buyers and sellers of feeder livestock into direct contact with one another in sufficient volume to insure competitive pricing, efficient transportation, and more equal bargaining strength. The more attention the individual marketing agency pays to these factors the better will it serve the livestock industry and thereby perpetuate itself.