



Livestock market information from auctions  
by Richard H Pulis

A THESIS Submitted to the Graduate Faculty in partial fulfillment of the requirements for the degree of Master of Science in Agricultural Economics at Montana State College  
Montana State University  
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**Abstract:**

Market information is available to Montana stockmen through many different types of reporting agencies such as newspapers, radio, magazines, private reports, government releases, and by conversations with neighbors and observations. Even with all these different agencies collecting and disseminating livestock market information, the Montana stockman doesn't receive an accurate report of the current market price for livestock. The basic cause for this problem is that there is no adequate coverage of auction market sales by a qualified, unbiased market news reporter. At present there is only one full-time federal market news reporter in Montana and he is expected to cover all of Montana and Northern Wyoming. This man is stationed in Billings and consequently the Billings market report is excellent. Also, he releases a weekly Range Sale Report which is current and reliable but incomplete. This means that approximately two-thirds of the livestock marketed through Montana public market agencies are not reported.

This study describes the problems that the stockman has in securing adequate, reliable market information from his local auction markets. A description is made of Montana livestock auction markets, the market information supplied by these markets, and the effect of competitive elements at auction sales upon market reports.

This study points up several problems that need to be solved before adequate market information coverage of auctions can be made. The first problem is the employing of qualified reporters. This problem presents several difficulties, one being that due to the lack of volume at each of these markets one news reporter could not be hired full-time to report one market, and due to distance between markets he could not cover more than two or three markets during a week's time. The last problem is to find a sponsor who would be willing to underwrite a livestock auction market information reporting service. At present the logical agencies for doing so have declined from lack of adequate interest, funds or other obstacles.

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TABLE OF CONTENTS

	<u>Page</u>
LIST OF ILLUSTRATIONS . . . . .	iii
LIST OF TABLES . . . . .	iv
ACKNOWLEDGMENTS . . . . .	v
ABSTRACT . . . . .	vi
INTRODUCTION . . . . .	1
PART I. THE PROBLEM . . . . .	5
PART II. DESCRIPTION OF LIVESTOCK AUCTION MARKETS IN MONTANA . .	16
Number of Auction Markets . . . . .	17
Location of Auction Markets . . . . .	17
Selling Services . . . . .	17
Market Sale Days . . . . .	19
Market Charges (Tariffs) . . . . .	20
Feed Charges . . . . .	21
Charges for Special Stockyard Services . . . . .	22
Resale Charges . . . . .	22
No Sales . . . . .	22
Yardage . . . . .	23
Volume of Animals Handled by Auctions . . . . .	24
Seasonality of Livestock Movement to Auction . . . . .	24
PART III. MARKET INFORMATION SUPPLIED BY AUCTION . . . . .	27
Description of Methods of Disseminating Information from Auction . . . . .	27
A. Newspapers . . . . .	27
B. Radio . . . . .	28
C. Special Market Letters . . . . .	28
D. Special Livestock Wire Service . . . . .	29
Weekly Cattle Market Summary Issued by the Association . . .	30
PART IV. THE EFFECT OF COMPETITIVE ELEMENTS AT AUCTION SALES UPON MARKET REPORTING . . . . .	33
Attendance . . . . .	33
Buyer Attendance at Auction Sales . . . . .	34
Consignor Attendance at Auction Sales . . . . .	36
Average Total Attendance at Each Sale . . . . .	36
Competition at Auction Sales . . . . .	37
Number of Buyers Bidding on Lots . . . . .	38
Number of Bids on Each Lot . . . . .	39
Who Makes the Initial Bid . . . . .	39

TABLE OF CONTENTS (continued)

	<u>Page</u>
Is One Bid Considered a Sale . . . . .	40
Buying Activities of Auction Operators . . . . .	41
Difficulties Involved with Reporting . . . . .	41
PART V. CRITERIA NECESSARY FOR ADEQUATE AND EFFECTIVE NEWS REPORTING FROM AUCTIONS . . . . .	43
APPENDICES . . . . .	48
Appendix A . . . . .	49
Appendix B . . . . .	51
Appendix C . . . . .	53
Appendix D . . . . .	55
Appendix E . . . . .	57
Appendix F . . . . .	59
Appendix G . . . . .	64
Appendix H . . . . .	73
Appendix I . . . . .	74
Appendix J . . . . .	75
SELECTED BIBLIOGRAPHY . . . . .	77

LIST OF ILLUSTRATIONS

<u>Number</u>		<u>Page</u>
1	Volume of Cattle Handled at Montana Auction Markets -- 1950 to 1955 . . . . .	3
2	Monthly Receipts at Montana Auction Markets . . . . .	9
3	Weekly Livestock Movements for Billings and Bozeman Markets . . . . .	10
4	Auction Markets in Montana . . . . .	18

LIST OF TABLES

<u>Number</u>	<u>Title</u>	<u>Page</u>
I	CATTLE SOLD AT MONTANA AUCTION MARKETS . . . . .	2
II	PERCENT OF FARMERS REPORTING SPECIFIC REASONS FOR INADEQUACY OF MARKET INFORMATION . . . . .	13
III	SOURCES OF MARKET INFORMATION . . . . .	14
IV	MARKET SALE DAYS . . . . .	20
V	VOLUME OF CATTLE SOLD THROUGH MONTANA AUCTION MARKETS .	25
VI	BUYER ATTENDANCE AT AUCTION SALES . . . . .	35
VII	CONSIGNOR ATTENDANCE AT AUCTION SALES . . . . .	36
VIII	NUMBER OF BUYERS BIDDING ON EACH LOT . . . . .	38
IX	NUMBER OF BIDS ON EACH LOT . . . . .	39
X	SIZE OF LOTS . . . . .	42

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## ABSTRACT

Market information is available to Montana stockmen through many different types of reporting agencies such as newspapers, radio, magazines, private reports, government releases, and by conversations with neighbors and observations. Even with all these different agencies collecting and disseminating livestock market information, the Montana stockman doesn't receive an accurate report of the current market price for livestock. The basic cause for this problem is that there is no adequate coverage of auction market sales by a qualified, unbiased market news reporter. At present there is only one full-time federal market news reporter in Montana and he is expected to cover all of Montana and Northern Wyoming. This man is stationed in Billings and consequently the Billings market report is excellent. Also, he releases a weekly Range Sale Report which is current and reliable but incomplete. This means that approximately two-thirds of the livestock marketed through Montana public market agencies are not reported.

This study describes the problems that the stockman has in securing adequate, reliable market information from his local auction markets. A description is made of Montana livestock auction markets, the market information supplied by these markets, and the effect of competitive elements at auction sales upon market reports.

This study points up several problems that need to be solved before adequate market information coverage of auctions can be made. The first problem is the employing of qualified reporters. This problem presents several difficulties, one being that due to the lack of volume at each of these markets one news reporter could not be hired full-time to report one market, and due to distance between markets he could not cover more than two or three markets during a week's time. The last problem is to find a sponsor who would be willing to underwrite a livestock auction market information reporting service. At present the logical agencies for doing so have declined from lack of adequate interest, funds or other obstacles.



## INTRODUCTION

One of the major marketing problems of Montana livestock producers has been the inadequacy of market information available to the producer. Resolutions have been presented by the annual meetings of various livestock groups such as the Montana Stockgrowers, asking that more adequate information be made available to the producer. This information is needed for making management decisions relative to production and marketing. One particular marketing channel that must be considered if any expansion and improvement is made in market information facilities and coverage, is the sale of livestock through auction markets.

One of the most important changes in the marketing of livestock within recent years has been the tremendous growth of the livestock auction as a marketing channel. At the time of the first complete count of the auction market facilities in the United States in 1937, there were only 1,345 auctions in operation. Another count was made in 1949 when there were 2,427 auctions operating in the United States. The peak in the number of auctions was reached in 1952 when over 2,500 different auctions were holding regular sales. The enumeration for 1955 showed the number of auctions had declined somewhat to 2,322.<sup>1/</sup>

The growth of auctions in Montana has followed the national pattern. The first auction was established at Billings in 1934. By 1939, three other auctions were in operation, and in 1949 the present total of 13

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<sup>1/</sup> Gerald Engelman, The American Livestock Auction Market -- Its History, Importance and Problems, a statement to the Annual Convention of the American National Livestock Auction Association, Denver, Colorado, June 15, 1956.

were operating in the state. The major species of livestock handled by the auction markets is cattle. An indication of the increasing importance of this form to market outlet can be seen from the following table of Montana volumes handled for selected years.<sup>1/</sup>

TABLE I. CATTLE SOLD AT MONTANA AUCTION MARKETS.

Year	Volume
1941	110,798
1944	298,697
1947	460,451
1950	466,725
1953	508,086
1955	530,291

The continued growth in the 1950's is shown in Figure 1. While there have been years when volume has declined, there has been a steady upward trend in the volume of cattle handled at the state's auction markets. The records of the Montana Livestock Commission also indicate that in 1955 almost half of the cattle inspected by the State Brand Inspector's Office were inspected at these markets, with something over 600,000 head being inspected at country shipping points and at the Billings Public Yards, the one terminal market in Montana. Therefore, any study of the livestock marketing in Montana cannot ignore this important channel -- the auction market.

<sup>1/</sup> Volume records secured from brand inspection records of the Montana Livestock Commission and includes Billings Public Yard receipts.

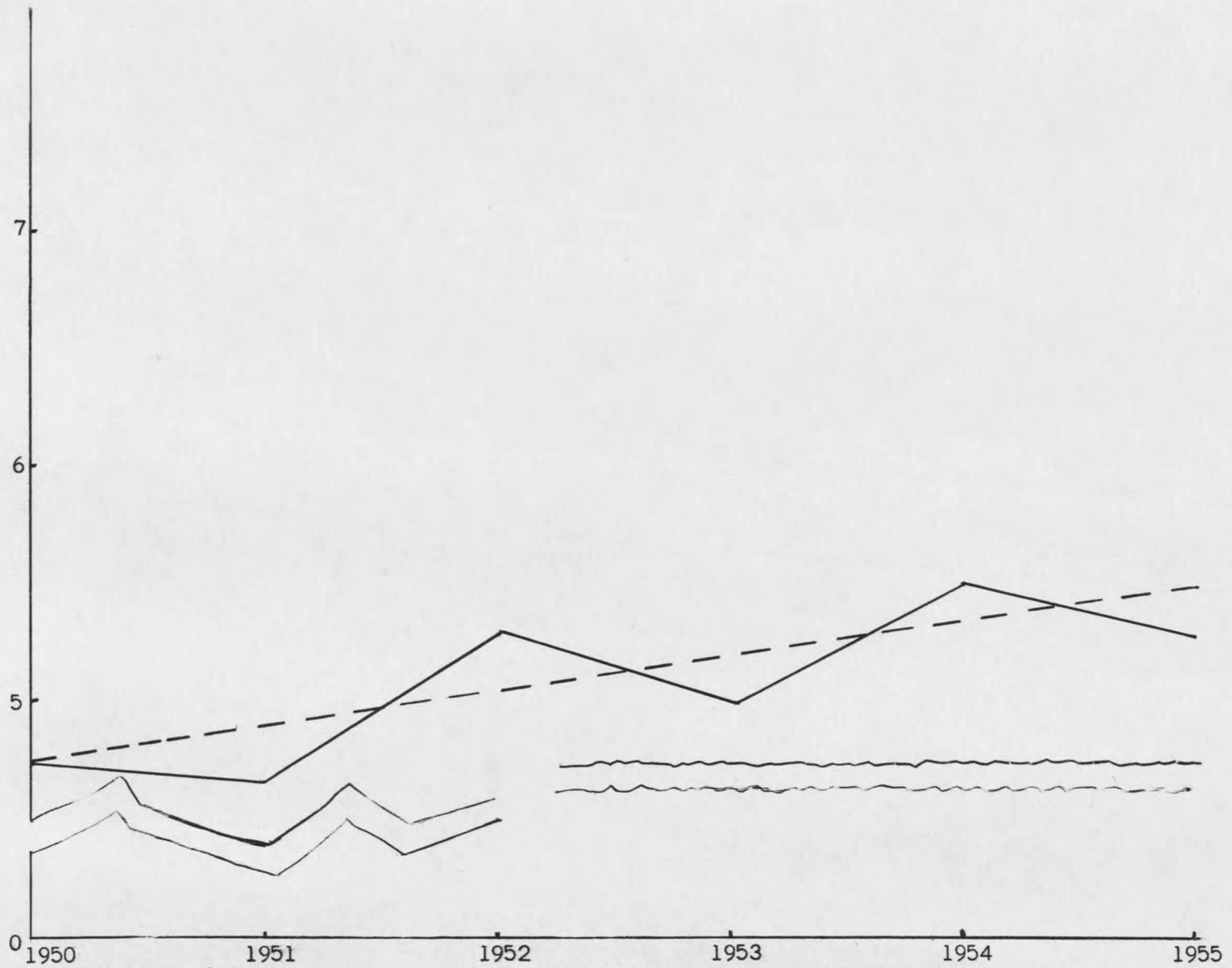


Figure 1. Volume of Cattle Handled at Montana Auction Markets -- 1950 to 1955.

The purpose of this paper is to delineate a specific model whereby marketing information from auctions can be made available to the live-stock industry in the state. Today, no official reporting on these markets is made except at one auction, the Billings auction. This auction market is reported in conjunction with the Billings Public Yards, the terminal market in that town. However, since this study was begun, the auction market association of Montana has begun a system of reporting volumes sold and prices by grades as well as other pertinent information. However, it is strictly voluntary reporting, with the report on each auction being made by the operators of the separate auctions.

Information relative to the method of selling by auction will be presented in some detail, because special problems of reporting on marketings at auctions arise because of the inherent characteristics of sale by the auction method. Reporting on auction sales must entail different collecting and reporting procedures than does the reporting on sales through other major channels such as direct sales or sales at terminal markets.

## PART I

### THE PROBLEM

A more adequate system of reporting livestock auction prices and news information is needed by the Montana producer to aid him in reaching intelligent decisions in his livestock program. The producer needs this information to aid in deciding when to discontinue his production process and market his product. A producer must also know where to market this product to the best advantage.

As an example of the marketing problems facing a livestock producer, let us consider the situation of Mister X, a typical auction patron. Mr. X has a 240 acre irrigated farm along the Milk River. His cattle enterprise consists of 17 beef cows, 3 milk cows, 14 fall calves and 44 steers, 14 of which he raised and 30 purchased as fall calves the preceding year to make use of surplus feed.

Mr. X is located between two markets, one of which is 70 miles away and the other about 90 miles. To make the problem more specific, we will say the time of the year is early fall and the supply of pasture forage is decreasing rapidly and will soon be insufficient for the needs of his cattle. The operator must sell some or all of the steers or increase the grain ration to supplement the pasture. If the operator fed all of his grain to the steers, he would have enough feed to last until about January 1. Also, he has 5 sows which are to farrow in March and need some grain to carry them over until the new grain harvest. Mister X wishes

to keep his hog enterprise. Adjustments must be made in the cattle enterprise to meet the changing feed situation. Therefore, the operator is faced with the decision of selling the steers or purchasing feed.

The first problem Mr. X is confronted with is when to sell. What information does he need to know? Is this information available? At a time such as 1955 when production costs are mounting and agricultural prices are leveling off or falling, efficient marketing becomes extremely important. Market information by itself is not enough; timely and accurate knowledge of the current value of an item at the market place is not an end in itself. Rather, it is an essential aid to sound marketing decisions. The decline of a few cents a pound can mean substantial losses. Such losses can, at the time of sale, wipe out all the gains from efficient production practices.

Along with the timely and accurate knowledge of the current values, Mr. X must also have price outlook information. It is recognized that cattle prices are closely correlated with general economic conditions and price levels. Demand for beef is closely associated with the national income and with purchasing power of consumers. Demand and prices for feeder and stocker cattle are closely associated with the price of beef at the retail level as well as with feed and pasture conditions in the area in which they are to be pastured or fed. Mr. X must have this information and be able to interpret it correctly to determine the optimum time to market his animals.

Among all farmers questioned on a survey by Iowa State College<sup>1/</sup>, 75 percent said they wanted to get some outlook information or wanted more of it. Farmers who wanted some or more outlook information were asked how often they would read outlook material, and how often they would listen to it on the radio. Sixty percent of these farmers wanted the information weekly and 20 percent asked for it daily. This tends to indicate that farmer wished to be kept up to date on the changes that might be expected in their respective markets.

In order for Mr. X to determine when to sell his cattle, he must also know the condition and grade of his cattle and relate them to the prevailing price or predicted price if he is to market them at a later date. He must also know the relative price differences between grades and relate them as such to his own animals.

After Mr. X has made his decision on when to sell, he must determine what market channel he is going to use. He may ship to a terminal market or directly to a packer as well as to a local auction. After he has reached a decision on this matter (to sell through an auction in this example) he must decide which auction to sell through. As in the case of Mr. X, most farmers have a choice of more than one market outlet.

With several outlets the producer needs some criteria for making his decision as to what market to use. Choosing the best market requires

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<sup>1/</sup> Peny J. Dodds and K. R. Marvin, What Does an Iowa Farmer Want from Radio Market News?, Iowa State College, Agricultural Experiment Station, Research Bulletin 413, August 1954.

information for comparing net prices at alternative markets. The market reports must use common terminology in describing classes and grades, and must be timely and reliable if the operator is to use them intelligently. Market price relationships change from day to day, depending upon the quantities available for sale and the interest of the buyers in obtaining each class and grade of animals.

Market news reports are not always directly comparable among markets. Where the operator has a choice of markets, price quotations alone do not provide all the information necessary to choose the market giving the greatest net return. The job of securing accurate price reports from auctions is difficult because of the irregular flow of livestock through the ring, small lots and unqualified reporters, but also because the desire to make reports as current as possible sometimes necessitates estimates on the part of the person doing the reporting.

Also, when prices are reported, the actual numbers in each grade and class usually is not reported by Montana auctions or at most terminal markets, either. Therefore, it is difficult to estimate the supply and demand for any one class and grade of stock. Usually only the total of all animals sold is reported. The difficulty in reporting the volumes of livestock arises because the size of lots are sometimes very small and there is an irregular flow of livestock through the ring. This irregular flow not only occurs during the day but by weeks and months as indicated in Figures 2 and 3. When the size of lots are very small it is difficult to establish a true market value price.



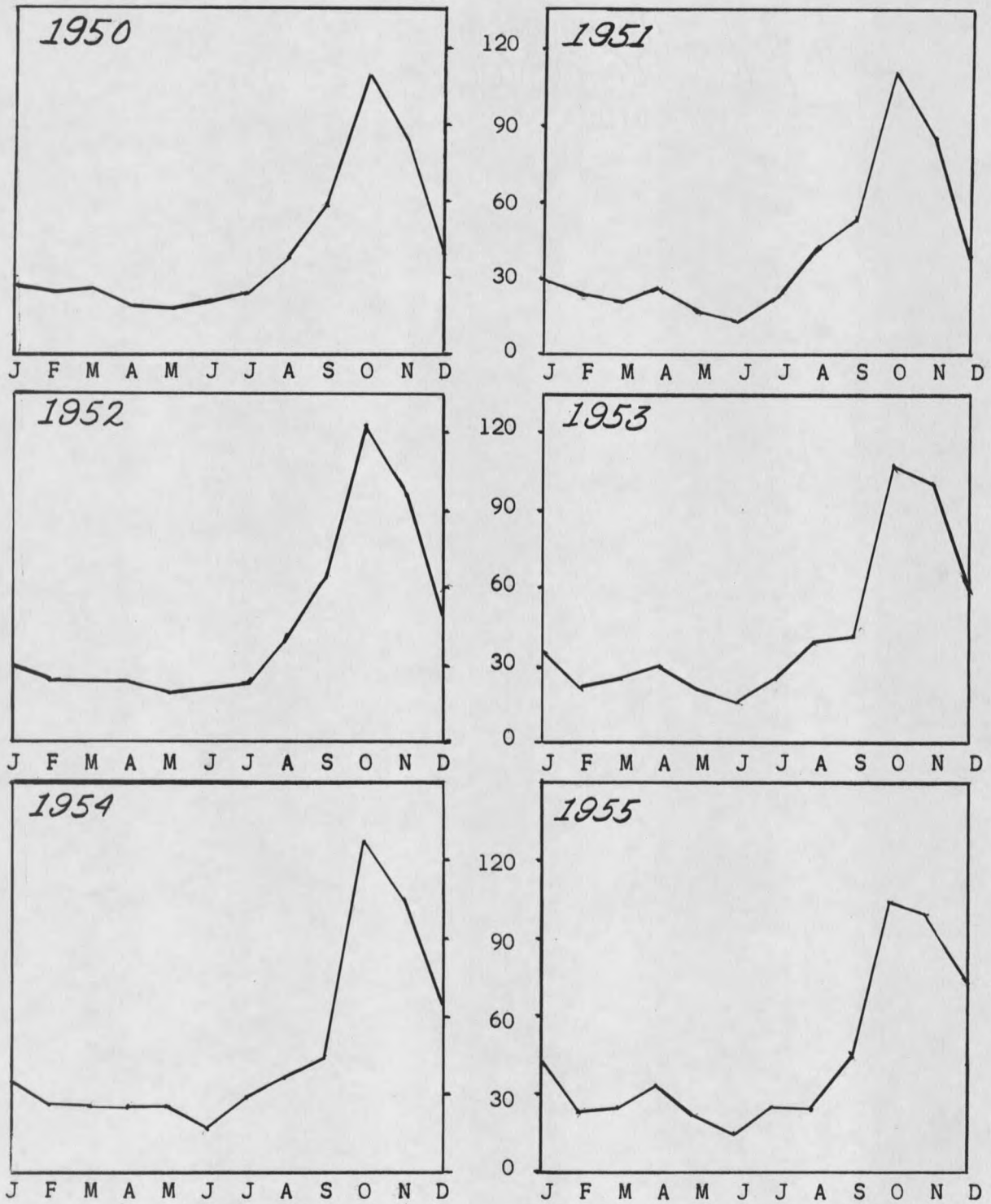


Figure 2. Monthly Receipts at Montana Auction Markets.

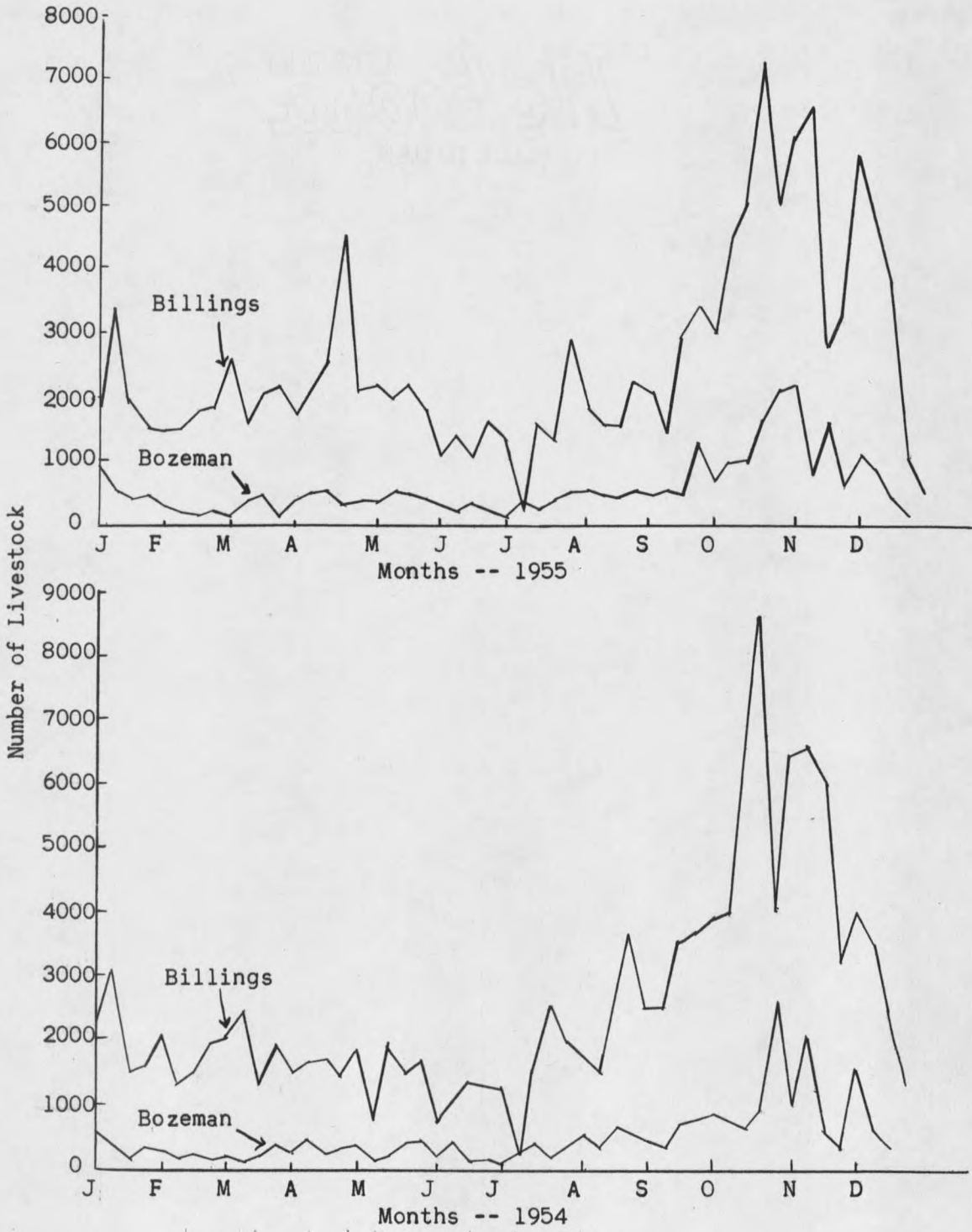


Figure 3. Weekly Livestock Movements for Billings and Bozeman Markets.

Mr. X often lacks a yardstick by which he can compare the prices received with those that prevail elsewhere for similar classes and grades of animals. In making this statement it is realized that uniformity in reporting is necessary. It is conceivable that the mere publication of prices based upon anything less than standardized government grades might even add to the confusion. It would appear that in order to be of practical use, such reporting should necessarily be done by some regularly established reporting service such as the Livestock Division of the Agricultural Marketing Service. At the present time practically no western auctions are included in the markets for which the Agricultural Marketing Service reports livestock market news, even though some of the auctions handle considerably more livestock than some of the western terminal markets. More adequate reporting at local points would be achieved by reporting auction markets.

Another problem involved is that many livestock producers are unfamiliar with the United States Department of Agriculture grades on which all reporting is presumably based. Those not familiar with the United States Department of Agriculture grades are unable to grade their own livestock accurately enough to use market reports in relating market value to their livestock. Also some of the auctions have not fully accepted the United States Department of Agriculture grades or any other standard grade. This makes it difficult for an operator to compare prices at one auction market with another. Sometimes the grades of livestock are interpreted too broadly, wide price ranges for these grades.

make uncertain the probable price for any one animal or group of animals. The degree of shrinkage and fill on livestock sold presumably has an effect on the prices received. This is one factor that contributes to the wide price range for some grades of animals.

The purpose of market collection and dissemination by auction markets should be to get the desired information on supplies, prices and trade conditions from the auction sale back to those who can use it. To be of value, the information must be available in time to help decide when and where to sell and buy. It must furnish short-run information and longer run information. The information must afford a means of comparing alternative markets as well as the local situation.

The lack of effectiveness of market reports is more than a mere failure of persons to hear market reports on the radio, read them in newspapers, learn them via market bulletins, or otherwise. It is more than lack of exposure. It is a matter of how to interpret correctly and use this material in making marketing decisions.<sup>1/</sup>

Market prices most frequently used are: (1) the top price for the day on a single market or the top market, (2) price range for the bulk of sales in a grade, and (3) a complete summary of the market including tops, range and lows. These all should be related to grade. The complete summary has a clear-cut advantage from the farmer's viewpoint in

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<sup>1/</sup> Stanley Andrew, Executive Director NPAP, "Ways to Improve Market News and Information," a report of the Market News and Information Conference, Kansas City Missouri, May 1955.

that it is most likely to give him information on the particular type and grade of animals he has for sale.<sup>1/</sup>

In summarizing a survey done by the Western States on the Intermountain Area, we can see some of the specific reasons for inadequacy of market information.<sup>2/</sup> Table II shows the results of the survey on inadequacies. Unfortunately, the 30 percent that indicated additional information needed did not specify the exact data that would make for improvement. Some of those could probably be broken down into other categories but others can be assumed to mean that they wanted forecasts on weather, feed prices, livestock prices, etc. The other categories are self-explanatory.

TABLE II. PERCENT OF FARMERS REPORTING SPECIFIC REASONS FOR INADEQUACY OF MARKET INFORMATION.

Reason	Percent
Additional Information Needed	30
Difficult to Relate Local Prices	27
Received Too Late	17
Prices Quoted Higher Than Average Sale	14
Lack of Understanding of Market Grading	8
Terminology of Market Reports Not Uniform	4
Total	100

<sup>1/</sup> Stanley Andrew, op.cit.

<sup>2/</sup> Edwin C. Voorhies, "Some Factors Affecting Producers Choice of Marketing Agencies," Trade in Western Livestock at Auctions, Western Regional Research Publication, Calif. Agr. Exp. Sta. Bull. 740, p. 51-52.

In the same survey by the Western States, the farmers were asked from what source they received their market information. Table III shows the sources of market information used and shows clearly that the majority used the newspaper and radio as a source of information. This tends to show how the information has been most effectively distributed.

TABLE III. SOURCES OF MARKET INFORMATION.

Source	Percent
Newspaper	36
Radio	39
Commission Firms	8
Government Reports	4
Private Reports	6
Local Buyers	3
Watching Livestock Auction Sales	4
Total	100

In order for Mr. X to make intelligent and timely marketing decisions he must have timely and up-to-date information that is comparable with other market alternatives. He must have information concerning possible future prices and forecasts on the economic conditions of the area and the country. This information he must have to make a wise and systematic choice of when to market and where to market.

Because the auction market is a readily available channel for marketing livestock for most producers, the market information he secures from auctions must meet the tests mentioned in this section. However, the inherent characteristics of the livestock auction present some difficult

problems. The following section will discuss in detail features of auctions emphasizing those features that bear upon the problem of securing marketing information from them.

## PART II

### DESCRIPTION OF LIVESTOCK AUCTION MARKETS IN MONTANA

There are many special features concerning the livestock auctions in Montana that should be considered before any specific model for report-ign marketing information from them can be devised. The Montana Livestock Commission has devised a system of regulation and control of livestock auctions that many people in the industry believe to be the best in the nation. Of special importance has been the principle used by the Commission in granting new licenses to operate auction markets. The applicant must convince the Commission in an open hearing that there is a need for the new auction by the livestock industry. It must be shown that the livestock producer will benefit from the new establishment which is considered to be in the nature of a public utility.

As a result of this principle, no new auction licenses have been granted for almost a decade. The volume of livestock handled at each auction has been held at a relatively high level as a result of this limitation. The Commission appears to believe that it is more advantageous to the livestock producer to have fewer auctions with larger volumes and more buyers than to have more auctions competing with each other for a limited volume of livestock to be sold. A higher return to the producer is the criteria used by the Commission in this regard.

The Commission also required that each auction adhere to strict sanitary provisions in order to keep its license to operate. There are also rather stringent requirements concerning financial responsibility.



### Number of Auction Markets

In 1955 there were 13 livestock auction markets in Montana according to the Livestock Commission of Montana. Of these 13 auctions, 11 belong to the Montana Livestock Auction Association. It is anticipated that the two markets that do not belong to the association will some day be included.

### Location of Auction Markets

Livestock auctions are an important part of the Montana livestock marketing system. The auctions are scattered geographically over the state as shown in Figure 4 and farmers and ranchers usually have access to more than one market. These markets attract consignors from wide areas depending upon their location. A sale at the markets attract a number of buyers closely correlated with expected volume. The number of consignors and buyers vary somewhat with the seasonal movement of livestock at the sale.

### Selling Services

1. The selling services rendered by the livestock auction with respect to all classes of livestock include:
  - a. Assembling livestock for sale in volume.
  - b. Safeguarding against disease and injury.
  - c. Sorting and grading by classes and brands or marks.
  - d. Attracting buying power to assure competitive bidding.
  - e. Actual sale of livestock by auction method.

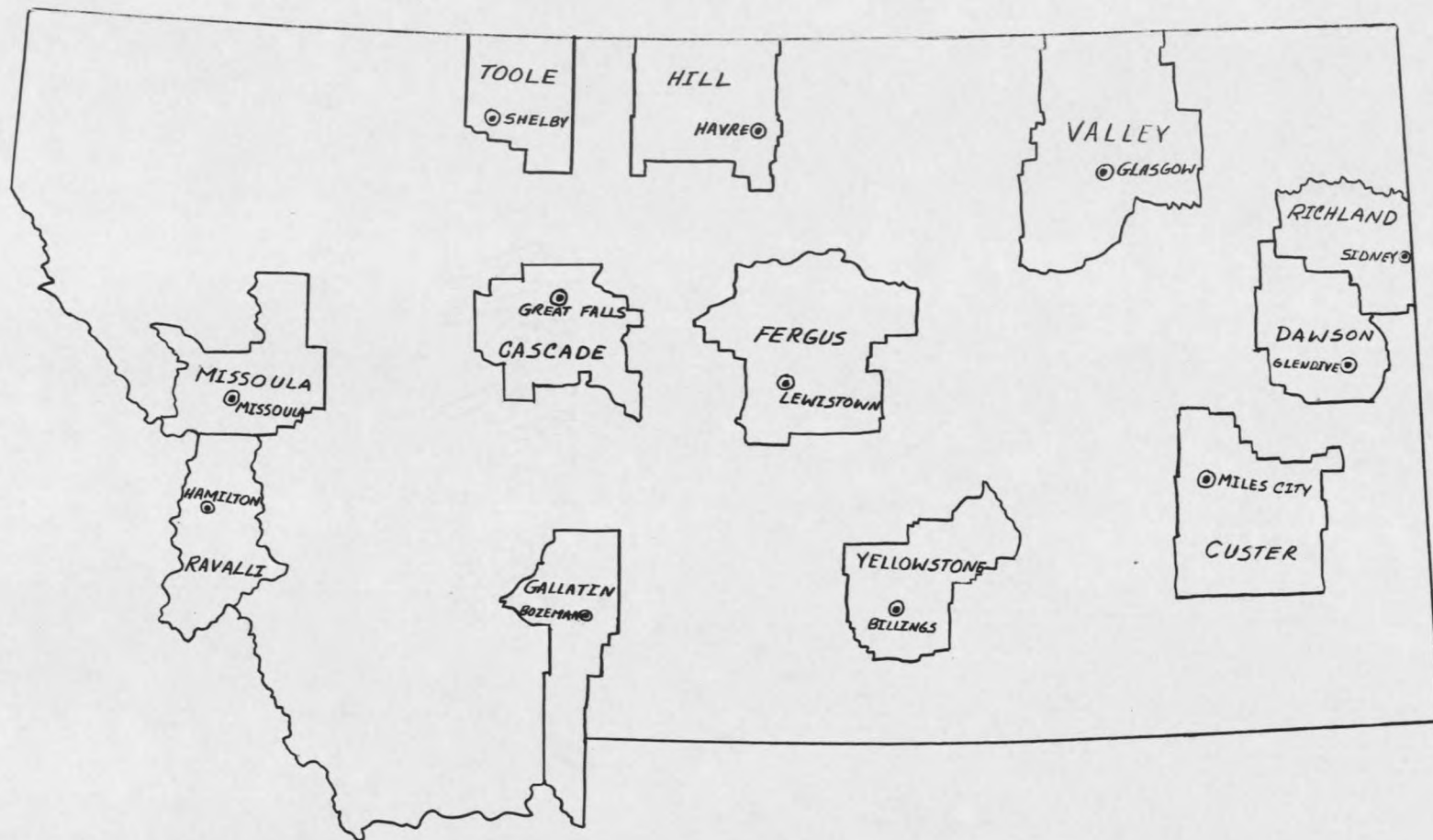


Figure 4. Auction Markets in Montana.

- f. Payment to consignor-owner of proceeds of sale, less overall charges, upon sale.
  - g. Supplying to the consignor a written account of sale showing the number, weight and price of each animal sold, the name of the purchases, the date of sale and the charges for all services rendered.
  - h. Participation and cooperation in local, state and national meat promotion programs.
2. The actual sale of all consigned livestock will be accomplished in the sales arena upon the basis of competitive bids at auctions. No sale of livestock will be conducted or permitted in the stockyards other than at auction in the usual manner.
  3. Special selling services such as printing of sale lots, and others not ordinarily required, will be charged for under special agreement (except Great Falls).

#### Market Sale Days

The market sale days vary throughout the week at each market. The different days of the week for each market are partly scheduled as such to attract major buyers. Some of the major buyers will attend more than one auction during the week. Table IV shows the auction market, its location and day or days of sale. During the heavy marketing season some auctions hold sales on more than one day a week and extend the sale through more than the regular sale day. Also, during slack seasons some of the smaller markets may postpone a sale for a week. Extreme weather conditions and lack of sufficient volume are usually the principle reasons for postponing sales. The starting time of the sale varies from market to market. During the busy season, the starting hour is usually somewhat earlier. Auctions close their sales when all livestock has been sold.

TABLE IV. MARKET SALE DAYS.<sup>a/</sup>

Name of Auction Market	City	Days of Sale
Billings Livestock Company	Billings	Monday and Tuesday
Bozeman Livestock Auction Company	Bozeman	Friday
Central Montana Stockyards	Lewistown	Wednesday
Glasgow Livestock Sales Company	Glasgow	Thursday
Glendive Auction Company	Glendive	Friday
Great Falls Livestock Commission Company	Great Falls	Monday and Tuesday
Hamilton Livestock Stockyards	Hamilton	Wednesday
Havre Livestock Commission	Havre	Friday
Miles City Auction Company	Miles City	Monday
Missoula Livestock Auction Company	Missoula	Thursday
Montana Livestock Auction Company	Butte	Monday
Shelby Stockyards Company	Shelby	Thursday
Yellowstone Livestock Commission	Sidney	Wednesday

<sup>a/</sup> The American National Livestock Auction Association.

Market Charges (Tariffs)

The charges of the auctions vary considerably at each market. Also the classification of livestock varies somewhat as shown in the following tables. Appendix A shows the charge classification for cattle. There is no standard charge classification for all markets as is shown in the table.

The charge classifications for sheep are shown in Appendix B. The classification breakdown is standard for all markets but the charges vary

somewhat for most markets. Some markets handle no sheep or very few while others have established a good sheep market.

The charges for the selling of hogs varies considerably between most markets. The classification breakdown is well standardized with the exception of the two smaller markets. Appendix B shows the charges and classifications for the different markets. Some markets handle very few hogs while others have established a good hog market.

#### Feed Charges

The feed charges for the various classes and types of livestock are shown in Appendix C for each market. These charges are a major expense of marketing at an auction and the markets operate under specific rules governing charges and services for feed. For example, the following definitions and rules are prescribed:

1. Feed shall consist of hay.
2. Feed days commence at various times for each market.
3. When livestock are in the stockyards more than one feed day, an extra feed day will be charged for each such day or fraction thereof.
4. Grain will be supplied on consignor's order if procurable at cost price plus 20 percent.
5. Hay and straw, when ordered by buyers and outside shippers, will be charged these amounts. All charge \$.25 per bale for spreading in car or pen with the exception of one that charged \$.15 per bale (Butte).

The feed charge classification breakdown for cattle corresponds with the classification breakdown used for selling charges.

### Charges for Special Stockyard Services

Special stockyard services not ordinarily or usually required in handling livestock for sale will be charged for under special agreement. Special stockyard services are listed in Appendix D with charges for the individual market.

### Resale Charges

Resale charges shall apply to all livestock resold without leaving the company stockyards.

1. Two markets reported that they charge the same all-inclusive charge classification and charges shall apply to the resale as to the original sales, less the feed day included in the original sale (Missoula and Billings Livestock Commission).
2. One market had specific charges for each classification of livestock resold (Miles City).
3. One market charged a flat fee of \$.75 per head for all cattle resold (Great Falls).
4. All other markets charged one-half of the all-inclusive charge to the nearest even cent above, after first deducting the feed day included in the original sale, shall apply to all resales for all classifications (Sidney, Glendive, Havre, Lewistown, Butte, Glasgow, Bozeman).

### No Sales

All livestock once consigned for sale will be charged by classification, except resales, whether bid in by or for the consignor or withdrawn prior to actual sale at auction in the sales arena (less Miles City and Butte).

Yardage

The term "yardage" includes suitable facilities for the safe and expeditious receiving, handling, feeding, watering, holding, sorting, selling, buying, weighing, delivery and shipment of livestock. It includes services necessary and incident to:

1. Receiving of livestock at the place of unloading.
2. Furnishing receipts for livestock to the carrier or consignor.
3. Furnishing of sufficient potable water for livestock.
4. Weighing of livestock when sold.
5. Issuance of scale tickets showing actual weight and other pertinent information concerning livestock weighed.
6. Removal of livestock from scales after weighing and delivery to the buyer or his carrier agent.
7. Holding of livestock for a reasonable time pending delivery to buyers.
8. Obtaining receipts for livestock delivered to buyers or carrier agents.

The Livestock Commission also prescribes general rules in regard to a large number of other matters important to sale by the auction method.

These general provisions including the following:

1. Loading and unloading -- Truckers must load and unload livestock at the docks provided for this purpose, as the company will assume no responsibility whatsoever for loss, damage, or injury to any livestock occurring during loading or unloading.
2. Allocation of pens -- All pens, chutes and alleys are the property of the company and may not be claimed by any patron for his exclusive use. The management will allocate pens and may change such allocations without advance notice.



























































































































