




**Improving market
coordination in
the feeder cattle
market board
associations
in Alabama**

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IMPROVING MARKET COORDINATION IN THE FEEDER CATTLE MARKET BOARD ASSOCIATIONS IN ALABAMA

GREGORY M. SULLIVAN and DANIEL A. LINTON¹

INTRODUCTION

FOR IMPROVEMENT of any existing marketing system, buyers and sellers must be benefited. Producers selling feeder cattle want higher prices or lower marketing costs. Buyers want lower procurement costs, uniform lots, and other benefits.² The market is the mechanism whereby the exchange process is carried out. Performance of the market is evaluated using the level of prices and costs to determine efficiency of the marketing system.

Objectives of this research were to determine the nature of market coordination between producers and buyers of feeder cattle selling through the market mechanism of Market Board Associations (MBA) in Alabama. Success of any new marketing system is evaluated by the ability of producers and buyers to communicate relative to the type and quality of cattle being sold and changes that take place.³ Existing market board associations were evaluated to determine performance in meeting the necessary requirements of buyers and sellers.

¹Respectively, Assistant Professor, Department of Agricultural Economics and Rural Sociology, and Economist-Livestock Marketing, Alabama Cooperative Extension Service. The authors acknowledge the assistance provided by Robert Williams in this research.

²RUSSELL, J. A. and W. D. PURCELL. 1980. Implementation of Electronic Marketing of Slaughter Cattle in Virginia: Requirements and Procedures. *Southern Journal of Agricultural Economics* 12:77-84.

³PURCELL, W. D. 1973. An Approach to Research on Vertical Coordination: The Beef System in Oklahoma. *American Journal of Agricultural Economics* 55:65-68.

PROCEDURES

In 1981, six MBA's operated in Alabama comprising approximately 80 producers. Producers in MBA's were mailed questionnaires in June 1981 after the completion of the spring sales. Over 70 percent responded to the survey. Producers were asked to rate the performance of the MBA's and identify reasons for preferring this method of selling. A similar questionnaire was mailed to approximately 30 buyers who attended at least one of the six market board sales. Most buyers attended more than one sale. In addition to producers and buyers being asked to evaluate the MBA sales, questions were asked on preferred types of cattle and animal characteristics to allow comparison of attributes.

RESULTS

Participation by Producers and Buyers

Producers and buyers interviewed said they had participated an average of 4 and 3 years, respectively, in board sales in Alabama. The maximum number of years in an association for a producer was 11 years and for a buyer was 8 years.

Producers were asked to identify their source of supply of stocker steers for winter grazing. Seventy-two percent responded that they received some cattle from their own farms. Forty percent of these producers received 100 percent of their animal supplies from their farms. Approximately 24 percent of the producers received cattle from within their counties, and this source accounted for an average of 37 percent of their total supplies. Seventy-two percent of the producers purchased 28 percent of their stockers within Alabama. Only 15 percent of the producers purchased cattle from outside Alabama and only one producer received all his cattle from outside the State. States supplying feeder cattle were Florida, Kentucky, Tennessee, and Mississippi. An order buyer was used by approximately 65 percent of the producers purchasing stockers. Approximately 30-35 percent of the buyers attending the MBA's sales reported that they supplied stockers to producers during 1978-80.

Producers were asked what criteria they used in selecting stockers for their grazing programs. The producers ranked their preferences in selecting stockers in the following order: uniformity in the lot, quality, breed type, and health of the cattle, table 1. The importance producers place on uniformity of cattle should also be beneficial to the buyers.

TABLE 1. RANKING OF CRITERIA USED BY PRODUCERS IN SELECTING STOCKER CALVES TO BE GRAZED, 1981

Criteria	1st choice		2nd choice		3rd choice	
	No.	Pct.	No.	Pct.	No.	Pct.
Uniformity	24	46	13	25	5	15
Quality	17	33	7	13	2	6
Health and defect	2	4	3	6	10	29
Breed	2	4	13	25	4	12
Other	7	13	17	31	13	38
Total	52	100	53	100	34	100

Reasons for Attending MBA's Sales

Both producers and buyers were asked why they attended the MBA's sales, table 2. Some reasons were asked of both buyers and sellers, and each factor was scored on a scale of one to five with one being critically important and five being not important.

For mirror questions asked of both producers and buyers, the ranking given quality of cattle sold was not different between producers and buyers, a score of approximately 2.24. "Price received" as a factor was ranked as significantly more important by producers than by buyers. The number of buyers at a sale and the amount of marketing costs were also more important to producers than to buyers. Buyers ranked convenience as significantly more important among reasons for attending MBA's sales than did producers.

TABLE 2. IMPORTANCE OF REASONS PRODUCERS AND BUYERS GAVE FOR ATTENDING MARKETING BOARD SALES, 1981¹

Reason	Producer score	Buyer score
<i>Producer-buyer response</i>		
Price received or paid	1.56 a	2.21 b
Convenience	2.18 a	1.73 b
Quality of cattle	2.23 a	2.25 a
Number of persons at a sale	1.86 a	3.28 b
Marketing costs	1.75 a	2.85 b
<i>Producer response only</i>		
Size of buyers	2.40	—
Influence of friends or neighbors	3.64	—
Less shrinkage and other reasons	1.80	—
<i>Buyer response only</i>		
Health of cattle sold	—	1.33
Number of cattle in a sale	—	2.12
Advertisements and brochures	—	3.71
Past participation	—	3.00

¹Average score is based on scale of critically important = 1, very important = 2, moderately important = 3, slightly important = 4, not important = 5. The use of the letters (a,b) indicate whether scores were statistically different for a particular response. If the letters are the same, then the scores are not significantly different for a response.

In response to questions asked only of producers, "less shrinkage and other reasons" in selling through an MBA's sale was ranked highest. Producers take a 2 percent pencil shrink at time of delivery compared to an average shrink of 4 percent estimated in cattle sold in auction markets.

In response to questions asked only of buyers, "health of cattle" was ranked the highest, with a score approaching critical importance (1.33). Buyers felt advertisements and brochures as well as past participation had only slight to moderate importance on their decision to attend MBA's sales. The importance placed on health of cattle is one aspect in which MBA's can excel because they sell cattle directly from the farm in truckload or multiple truckload lots. Buyers want convenience in buying cattle, which MBA's can provide with on-farm sales. These on-farm sales, in effect, lower costs to the buyers.

Improvement in Market Coordination

Improving market coordination between producers and buyers requires proper information flow between participants. This results in the exchange of preferred type and form of cattle being exchanged. Both producers and buyers were asked to indicate the ideal characteristics for a lot of feeder cattle which would bring the highest price at the MBA's. The characteristics and their rankings are identified in table 3.

For frame size, producers and buyers indicated some difference in opinion. Producers favored medium-frame to large-frame cattle, whereas buyers were indifferent. Producers and buyers showed the same preference for cattle in the age bracket of 15-20 months. Approximately 85 percent of both sets of respondents had similar preferences for moderately thick cattle in a lot. A major difference was revealed in the characteristic of finish of cattle. A large majority of producers preferred moderately fat cattle, while a similar percentage of buyers preferred slightly thin cattle. In an economic evaluation of 1980 MBA sales, buyers paid a premium for slightly thin cattle compared to fat or moderately fat cattle.

Producers and buyers had an overwhelming preference for uniformity in the size of cattle in a lot. Consistent with frame size percentages, producers had a preference for cattle grading medium No. 1, whereas buyers' preferences were mixed between medium No. 1 and large No. 1.

Buyers' opinions were mixed on lots being homogeneous in breed type, but producers strongly favored homogeneous lots

TABLE 3. PREFERRED CHARACTERISTICS IN A LOT OF FEEDER CATTLE
BY PRODUCERS AND BUYERS, 1981

Category	Characteristic	Producers	Buyers
		<i>Pct.</i>	<i>Pct.</i>
Frame size	Large	27	50
	Medium	73	50
Age of cattle	6-14 months	25	25
	15-20 months	75	75
Muscling	Very thick	4	8
	Moderately thick	83	84
	Slightly thick	13	8
Finish	Moderately fat	78	23
	Slightly thin	20	77
	Thin	2	0
Uniformity in size of cattle	Uniform	96	100
	Nonuniform	4	0
Grade of cattle	Large No. 1	17	42
	Large No. 2	2	0
	Medium No. 1	76	58
	Medium No. 2	5	0
Uniformity in breed in lot	Homogeneous	96	50
	Heterogeneous	4	50
Preferred breed of cattle	Angus	9	0
	Angus x Hereford	81	50
	Angus x Charolais	5	17
	Brangus	5	0
	Santa Gertrudis	0	8
	Other	0	25
Preferred color	No preference	44	71
	Preference	56	29
	-black, black baldies = 97% -red = 3%		
Weight range of cattle	500-600 pounds	2	10
	600-700 pounds	49	90
	700-800 pounds	47	0
	Over 800 pounds	2	0
Preferred lot size	No particular size	0	7
	Less than truckload	0	7
	Truckload	85	86
	More than truckload	5	0
	Other	10	0

of one breed type. Breed type for buyers was less important than uniformity in size of cattle in a lot. A high preference was shown for Angus x Hereford "black baldies" cattle by producers, while only 50 percent of the buyers showed a moderate preference for this breed. Black baldies have become a favorite type of cattle in all of the MBA's in Alabama. Consistent with this strong breed preference, 56 percent of producers preferred black or black, white-faced cattle. Buyers showed less of a preference for any particular color.

Producers were almost evenly split in a preference for a weight category between 600-700 and 700-800 pounds while buyers overwhelmingly chose 600-700 pounds as the preferred weight. Reconciling the difference between producers and buyers in weight preference would be a major improvement in market coordination for the future. Both sets of respondents indicated a strong preference for truckload lots of cattle. This factor reduces additional handling charges and improves the convenience in the exchange of cattle.

Degree of Importance of Each Characteristic

Producers and buyers were asked to weight each of the animal characteristics in relation to its effect on price paid or received for cattle in MBA's, table 4. Both producers and buyers gave the greatest weight of importance to defects and health of cattle influencing price. Uniformity in size of cattle in the lot had the third highest ranking by producers with a score of 1.81. Buyers gave uniformity in size and body type the same score of 2.00. This was also equal to the score for body type by producers.

Both producers and buyers ranked the weight estimated by the producer very low compared to other factors influencing price for cattle. Feeder grade, sex, and uniformity in breed of cattle in a lot were also lower in importance relative to price. From research on price paid for lots of cattle from 1979-81, the price differential paid for steers versus heifers was approxi-

TABLE 4. IMPORTANCE OF CERTAIN CHARACTERISTICS ON THE PRICE FOR LOTS OF CATTLE IN MARKET BOARD SALES, 1981

Characteristics	Producer score ¹	Buyer score ¹
Health of cattle	1.51	1.31
Defects in cattle	1.58	1.43
Uniformity in size of cattle	1.81	2.00
Body type	2.00	2.00
Sex	2.25	3.07
Degree of finish	2.30	2.33
Uniformity in breed of cattle	2.30	2.73
Muscling	2.31	2.50
Feeder grade	2.33	3.00
Breed of cattle	2.49	2.64
Age	2.66	2.40
Producer's estimated weight	3.30	4.43

¹Average score is based on scale: critically important = 1, very important = 2, moderately important = 3, slightly important = 4, not important = 5.

mately \$6.00 per hundredweight.⁴ This fact is not consistent with relative importance indicated by producers and buyers in this study.

Improvement in Market Board Associations

To determine the frequency of farm visits before a sale, producers were asked how many buyers visited their farm from 1979-81, and buyers were asked how many farms they visited in 1981 only, table 5. Data for the 3 years' on-farm visits indicate a constant number of average visits of nine by buyers to an individual's farm. The largest number of visits reported in any year was 20. Buyers, asked only about their 1981 visits, estimated an average of 14 visits. The maximum number of visits was by two buyers who visited all the farms and the smallest number was by one buyer who visited seven farms. The large number of farms visited indicates the importance placed in visual observation by buyers.

Buyers were asked whether the brochures published by each MBA were accurate in the description of the cattle seen on the farm visits in 1981, table 6. Approximately one-half of the buyers responded that the brochures' descriptions were inaccurate, especially on weights of cattle in a lot. Both producers and buyers were asked if an alternative method to farm visits was possible. Every buyer except two said they would have to see the cattle before a sale. Approximately 86 percent of the producers said there was no alternative possible except a farm visit by buyers. All buyers reported they would not

TABLE 5. AVERAGE NUMBER OF FARM VISITS MADE BEFORE A SALE, 1979-81

Visits	1979	1980	1981
Visits to a producer's farm	No. 9	No. 9	No. 9
Visits to a farm by a buyer	—	—	14

TABLE 6. BUYER'S OPINION OF MARKET BOARD ASSOCIATION'S BROCHURE IN DESCRIBING CATTLE, 1981

Responses	Respondents	
	No.	Pct.
Good	2	14
Fair	5	33
Poor	8	53
Total	15	100

⁴SULLIVAN, G. M. and D. A. LINTON. 1981. An Economic Evaluation of an Alternative Marketing System for Feeder Cattle in Alabama. Southern Journal of Agricultural Economics. 13:85-89.

accept the description of an independent grader. Approximately 88 percent of the producers said they would allow an independent person to grade their cattle, but the buyers said they would not accept this as a substitute for visiting a farm to view a lot before a sale.

Display Sites on the Farm

Producers were asked if they make special arrangements in showing cattle on their farms. Approximately 75 percent of the producers responded affirmatively. Types of arrangements made are listed in table 7. The largest portion of responses given by producers was that they placed cattle in a pasture with easy access for buyers. A smaller number of producers said they placed cattle in a small pen or pasture only.

Buyers were asked if they preferred a particular type of show site. Approximately 65 percent replied they preferred viewing cattle in a pasture rather than in a pen or a small yard. Buyers overwhelmingly preferred to have the producer present during visits. Producers could improve the effectiveness of merchandising cattle to buyers by making cattle easily accessible and having someone present who is knowledgeable of their cattle.

TABLE 7. ARRANGEMENTS BY PRODUCERS IN DISPLAYING CATTLE ON THEIR FARMS¹

Responses	Number of respondents	Percent of total
Place in pasture with easy access	15	38
Place in small pen or pasture	9	23
Feed pellets to call animals	5	13
Producer in attendance with buyer or provide a helper	5	13
Sort cattle for uniformity, remove sick or unsaleable cattle	5	13
Total	39	100

¹Not all producers responded to this question, and those who did could have given multiple responses.

Satisfaction With Sales by Producers and Buyers

Approximately 67 percent of the buyers reported they were satisfied with the current operation of the market board association sales. Of those not satisfied, complaints varied from producers' recorded weights not being accurate to no opportunity to sort cattle when loading on trucks, table 8. Recom-

TABLE 8. REASONS GIVEN BY BUYERS FOR NOT BEING SATISFIED WITH MARKET BOARD ASSOCIATION SALES, 1981

Complaint	Number of respondents
Producers weights not accurate	3
No opportunity to sort or cut cattle before loading	3
Too much feed in cattle	2
Pick-up dates not satisfactory	2
No down payments by seller	2
Two percent shrink too low	1
Lots not truckload size	1

TABLE 9. BUYERS' RECOMMENDATIONS TO IMPROVE THE MARKET BOARD ASSOCIATION SALES, 1981

Recommendation	Number of respondents
Sort and group cattle more uniformly	4
Estimate weights better and adjust price when weights are inaccurate	4
Improve the ease of seeing cattle	3
Improve loading facilities on the farm	3
Allow 3 percent pencil shrink	2
Have uniform code on quality, vaccinations, and time off feed	2
Have higher no-sale penalty	1
Have central location to weigh and sort cattle	1
Require seller to give a down payment	1
Give more consideration to buyers	1

TABLE 10. PRODUCERS' RECOMMENDATIONS ON IMPROVING MARKET BOARD ASSOCIATION SALES, 1981

Recommendation	Number of respondents
Have same rules for all associations and strictly adhere to them	4
Change the sale date	5
Increase promotion to area producers for more cattle in sales	5
Improve ease of cattle viewing for buyers	4
Improve contracts between seller and buyer	3
Pool short truckload lots with delivery to central location ..	3
Sell only truckload lots	3
Have more uniform and better quality lots of cattle	3
Increase number of buyers and those buyers who will follow rules	2
Allow option on delivery date	1
Encourage buyers to use wire transfer	1
Have a producer-buyer dinner before a sale	1
Recognize buyers who visit farms	1
Experiment with video viewing	1
Conduct sales in Alabama Cattlemen's Assoc. Bldg.	1
Organize associations early	1
Furnish better educational materials on type of cattle buyers are requiring	1

mendations were given by approximately 70 percent of the buyers on improving the market board sales, table 9. Recommendations repeated most often by buyers dealt with marketing improvements that producers could perform. Sorting of cattle and selling in truckload lots would facilitate the exchange process for delivery of cattle to feedlots. Ease of seeing cattle on the farm could help a producer merchandise cattle.

Producers were asked for recommendations on improving their association's sales, table 10. Some of the recommendations match those of buyers, such as selling only lots of truckload size. If a lot is less than a truckload, then cattle should be pooled. Producers also suggested improving the way buyers view their cattle. Several producers suggested standardizing rules of all associations and adhering strictly to them. Most producers had at least one suggestion to make about improving the sale.

SUMMARY

There are practices which both producers and buyers believe can enhance the market board sales. Quality and health of cattle are important factors which ensure the continued attractiveness of these sales in the future. Improving the convenience for buyers to view the cattle before a sale would help attract more buyers to attend the association's sales.

Improving the information on types of cattle preferred by buyers can increase the coordination in future feeder cattle sales. Some of the differences on preferred frame size, finish, grade, breed, and weight range can help to inform producers in supplying the cattle the feedlots prefer. As MBA's become further established and recognized, changes in rules on sorting and loading cattle can be tried by associations. Greater emphasis on truckload lots might restrict smaller producers in the future. Pooling arrangements will need to be examined to ensure a place for the producers with smaller lots of cattle.

Producers are generally doing a satisfactory job in conducting sales. To attract both new producers and new buyers, the quality of advertising for buyers will have to be improved as will promotion in the association's production area to ensure an adequate supply of cattle. Establishing a record of confidence by buyers satisfied with the operation of board sales will enhance market coordination in marketing feeder cattle in Alabama.