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TELEPHONE AUCTION - MORE \$ FOR YOUR LAMBS

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## Telephone Auction - More \$ For Your Lambs

One of the latest successful developments in the selling of lambs in the Pacific Northwest is a telephone auction. The PNW Livestock Producers Marketing Cooperative, operating in Idaho and Oregon, was established in May, 1974. This organization was developed because lamb prices in the area had been from \$3 to \$10 below West Coast and Denver prices on a particular week. Producers were concerned with less and less competition for their lambs in local auction markets. Many producers were members of the local wool pools and so these pools became the nucleus of the regional association.

The auction method has been widely used as a means of negotiating livestock prices for many years. However, the competition among buyers at many local auction markets has waned in recent years and leaves much to be desired. Expenses of maintaining a force of buyer representatives to travel from auction to auction have increased substantially. Coupled with declining numbers of specific types of slaughter livestock at individual local auctions, the costs per head of livestock purchased has risen markedly. Therefore, fewer buyers compete for the available livestock.

The telephone auction of pooled livestock is one particular variation of the auction method utilized in several parts of the country to overcome the decline in local competitive bidding. More prospective buyers can be attracted for a given number of livestock using this marketing technique. With increased competition from a wider area, the producers in a particular location are less susceptible to the supply-demand



conditions of local buyers. A more uniform price for a geographical region can be anticipated and ultimately a national price basis may prevail.

Several livestock pools using telephone and teletype connections are currently in operation in the U.S. Canadian livestock producers have been successfully selling major portions of their livestock through pooling arrangements and modern communication connections for a number of years. Feeder pigs have been successfully sold via a telephone auction system in several parts of the mid-West for a number of years. Lamb producers have formed cooperatives in both the east and inter-mountain regions to successfully utilize this same method of selling.

Well defined and understood descriptions of a commodity and the terms of trade, together with the knowledge and skills associated with effective price negotiations between buyers and sellers are requirements for using modern communications media in marketing. Buyers and sellers may extend themselves to meet over vast distances in many markets requiring a minimum of time using the telephone, teletype, closed circuit television, and computer tie-ins. An established, recognized and accepted product description and terms of trade increases greatly the efficiency of these high speed communications systems.

An accepted grading standard administered by individuals who have gained the confidence of both parties to a sale is a prerequisite to selling without visual inspections. Equitably administered quality standards are required to gain the needed confidence. Lack of confidence in the grading by either or both the buyer and seller has been the downfall of many livestock market pooling operations. A verbal description

understood and accepted by both parties of the trade is a major factor in rapid communications and selling.

Terms of trade consist of those points of agreement that must be reached prior to the establishment and transfer of title. Some of the factors to be determined are: 1) size of the lots to be offered, 2) weight ranges and quality grades of animals, 3) time, place, and method of weighing including shrinkage, 4) time, place, and method of delivery, 5) time of payment, 6) responsibility for transportation and insurance, 7) health guarantees and inspection, 8) use classification (feeders or slaughter lambs), and 9) uniformity of lots. A rather specific set of terms of trade is needed when marketing through modern communications media. These terms of trade need to be equal for all buyers in order for given bids to be comparable. Agreement on terms of trade is a necessary condition for transfer of ownership. With agreement on terms, price then becomes the only negotiated point of agreement.

A general pattern has been developed for the pooling and auctioning of lambs using the telephone auction method.

1. Lambs are graded and marked on the farm or ranch by trained graders.
2. Lots of lambs are "assembled on paper" with number, weights and description known.
3. Prospective buyers are contacted prior to a given sale and assigned a number to be used in bidding.
4. At the sale time, all prospective buyers are "connected" to the auction via telephone conference lines.
5. The auctioneer reads the sales order, giving the number, weight, grade and other terms of trade for all lots to be offered during that particular sale.



6. The auctioneer then describes the first lot of lambs to be sold and asks for bids as in a regular auction. Prospective telephone bidders do their bidding by calling out their assigned numbers and the auctioneer moves the asked price upward. The sale is made to the highest bidder.

7. The successful bidders are called following completion of the sale for shipping instructions. Buyers may take delivery to fit their schedules within 7 days of the sale.

8. Producers are then notified of the date, time and delivery point for their lambs. Lambs are weighed as delivered, then commingled and loaded for shipment. In order to assemble a load of 400-440 lambs more than one assembly point may be used.

9. The lambs become the property of the buyer when weighed across the local assembly point scales and the producer is paid on the basis of that weight. The association collects from the buyer for the lambs weighed, deducts the predetermined marketing charges and pays the producer. Producers may receive their checks immediately or within a specified time as set forth by the association.

More prospective buyers can be attracted for a given number of lambs utilizing the telephone auction as described above and with variations of this method. Pooled graded lambs in convenient size lots attract more competitive bidding. Semi-truck load lots reduce the transportation costs to the buyers. Packers can reduce their buying expenses through a reduced buying force, travel expenses etc. A portion of these savings can logically be expected to be passed on to the producers in increased bid prices for the lambs offered.

The inception of PNW Livestock Producers Marketing Association came about through the naming of the Sheep For Profit Task Force by American Sheep Producers Council - Sheep Industry Development. The task force

members include Dr. John Landers, Extension Livestock Specialist from Oregon State University; Dr. John Miller, Extension Meat Specialist; and Dr. John Early, Extension Economist from the University of Idaho. Dr. Early introduced the idea of a telephone lamb auction at the Sheep Industry Development Symposium in Denver, Colorado, in October, 1973. Discussions of pooling lambs for sale as with wool had already been carried on with directors of wool pools in Eastern Oregon and Southwest Idaho during the Spring and Summer of 1973.

During the Fall and Winter of 1973-74 the three task force members with the assistance of Dr. Steve Marks, Extension Economist from Oregon State University, and Dr. Dave Holder, Economist with Farm Cooperative Service, U.S.D.A., conducted educational meetings with County Extension Agents, key sheep producers, and wool pool directors to explain the merits and requirements of pooling and telephone auction selling. A group of wool pool representatives met periodically in Baker, Oregon, and developed a marketing procedure modeled after one described above and used by Eastern Lamb Producers Marketing Association of Virginia and the Carolinas using the telephone conference call to sell lambs directly to the packer by auction.

The original marketing area extended from LaGrande to Enterprise, Oregon, to Boise and Council, Idaho. The founding groups were primarily made up of farm flock producers. Assembly points with scales and loading facilities were established at six locations within the area. The organization was officially incorporated in Oregon and registered as a foreign corporation in Idaho with offices at Ontario, Oregon. The Ontario Livestock Commission Company of Ontario, Oregon was contracted by the



Cooperative as the selling agent. Grading schools were held to train lamb producers as graders employed by PNW.

The first two sales held in May, 1974, were cull ewes used to test the system before the more valuable lambs were sold. Sales of lambs were held each week from June until December, 1974, and at least monthly until March, 1975. A total of 61,400 ewes and lambs were marketed through the system during this period with a record sale day of 11,000 head. By August, 1974, the area of operation had expanded eastward to include all of South Idaho and some lambs from bordering states were sold. Lambs from several range bands were also marketed through PNW.

The gross sales for the cooperative was \$2,200,000 for 44,000 slaughter lambs, 14,200 feeders and 3,100 cull ewes. The average price for slaughter lambs was \$37.50 per hundredweight with a high of \$47.50. Feeder lambs sold for a high of \$38.00 and an average of \$35.00 per hundred pounds.

Prices received through PNW telephone auction ranged from \$3.50 to \$7.50 per hundredweight above the local markets. PNW cooperators received within 50¢ per hundredweight, at local assembly points, of the same day's market price at lamb marketing centers such as Dixon, California, and San Angelo, Texas. Prices received by the producers selling through PNW were also in line with the East and West Coast dressed lamb market for the same week.

Another indication of the potential telephone auction is acceptance by packer buyers. Packer representatives called PNW early in the marketing season asking to be placed on the conference call lines. Many buyers were repeat bidders and buyers through the sales period. As many as 15 bidders participated in an individual sale with a maximum of 18 potential buyers on the lines. Lambs were sold to all the major lamb slaughterers West of



the Mississippi. Buyers indicated they were well-pleased with the system because the sheep that were delivered met or exceeded the description and the terms of trade were consistent.

The future of PNW Livestock Producers Cooperative Marketing Association is particularly bright. The individual farm flock owner can now pool lambs with those of other producers and sell directly to the packer. The range sheep producer can also use this method of selling to advantages as was demonstrated in 1974 with 30,600 lambs from range bands sold. Considerable expansion is expected not only in Idaho and Oregon, but also in neighboring states as wool pool directors and individual producers have expressed interest in joining the PNW. Those interested should contact:

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