1933

The development of direct marketing of hogs in Iowa

Elwyn Loomis Cady
Iowa State College

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UMI
THE DEVELOPMENT OF DIRECT MARKETING OF HOGS IN IOWA

BY

Elwyn L. Cady

A Thesis Submitted to the Graduate Faculty for the Degree

DOCTOR OF PHILOSOPHY

Major Subject Agricultural Economics

Approved:

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In Charge of Major Work

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Dean of Graduate College

Iowa State College

1933
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SPECIAL SUPPLEMENT

The Agricultural Adjustment Act.

New legislation has been enacted since the main body of this thesis was completed and since certain provisions of the new law may greatly modify direct marketing practices in Iowa a brief analysis is desirable at this point. The Agricultural Adjustment Act became a law May 12, 1933. (1)

The purpose of the Act is "To relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes." (2)

"The Secretary of Agriculture shall have power . . . .

"To enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties."

...............................................................

"To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product. Such licenses shall be subject to such terms and con-

(1) U. S. 73d Cong. 1st session. Public no. 10, approved May 12, 1933. p. l.
(2) Ibid. p. l.
14.

Conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof.

"To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title." (1)

Hogs constitute a "basic commodity" and in the case of hogs "the term 'processing' means the slaughter of hogs for market." (2)

"To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as hereinafter provided. The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or importation, and shall be paid by the processor." (3).

It is evident from these quotations that the enforcement of the law will place packing plants, private stockyards, and concentration stations under more rigorous regulations that now exist even for the public stockyards. Terminal packing plants will, of course, be subject to the same rules. Uniform practices regarding feeding and watering may be prescribed and studies on methods of paying for hogs may be worked out as for example dressing yield may be computed and

(1) Ibid. Sec. 8. pp. 4-5.
(2) Ibid. Sec. 11 and 9. pp. 8 and 6.
(3) Ibid. Sec. 9. p. 5.
15.

A wide development of the new methods of marketing hogs may be evolved almost overnight. It might prove desirable to kill even more hogs in Iowa than formerly. Or it might result in the closing of all of the smaller concentration stations for with a uniform price established the tendency to shop around would decrease. It might be found that too many plants exist and arrangements might be made to dismantle "white elephant" establishments and a real meat trust, supported by government edict, organized.

It should be kept in mind however, that the provisions relating to agriculture "shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate with respect to any basic agricultural commodity such provisions of this title as he finds are not requisite to carrying out the declared policy with respect to such commodity." (1)

May 20, 1933.

I. INTRODUCTION.

A. Volume of Direct Marketing.

Iowa farmers marketed 8,685,624 hogs in 1920, of which 5,837,295 or 67.4 per cent went to public markets and 2,823,329 or 32.6 per cent went direct to packers. In 1932 a total of 12,515,905 Iowa hogs went to market, of which 4,283,986 or 34.2 per cent went to public stockyards and 8,231,919 or 65.8 per cent went direct to packers. (1) This increase in the proportion going direct is a development which has yielded much discussion in livestock circles. It is a problem which requires scientific study.

B. Direct Marketing Defined.

By direct marketing is meant the sale by the producer to the packer without the use of public stockyard facilities. Hogs purchased in the country and forwarded by the packer to a plant at a terminal yard are still considered directs since the price, grade, and weight are determined without the use of public stockyard facilities.

An analysis of the problem resolves itself into research into six phases of the nature and causes of its development.

The location of the hog population in the state, the rise of

---

the Iowa hog packing trade, the influence of transportation, the relation of government, the integration of the marketing services, and the price factor must be considered if we are to properly understand the questions which have been raised in connection with the recent rapid growth of direct marketing of hogs.

G. Statement of the Problem.

This thesis undertakes to present a long time picture which will assist in the interpretation of this current and all important problem now confronting the Iowa farmer.

II. REVIEW OF LITERATURE.

A. Criticism of Previous Studies.

Previous studies of the livestock marketing system have either neglected direct marketing altogether, mentioned it casually or dealt with a single minor phase of it. Scientific studies have been limited to short time analyses. The statistical analyses by Bjorka (1) and Knapp (2) are cases in point. These studies, taken by themselves, indicate that direct marketing is of recent origin. They neglect the long

time phases which are more fundamental in the appraisal of the importance of direct marketing as an integral factor in the hog trade. A. E. Taylor falls into the same error when he says, "In recent years a new question has arisen -- the issue of the private stockyard. Country buying by packers is on the increase, the prices being based on quotations at public stockyards. The packers are also establishing private stockyards, of which the Mistletoe yard at Kansas City has been the most conspicuous example. Sales of hogs occurring in private stockyards do not register in published prices." (1)

Terminal marketing has been stressed because of the remarkable development during the past seventy-five years of large central markets where cattle and sheep, as well as hogs, have been brought for sale. The organizations at these markets have naturally promoted the idea of their own importance. Their information on daily market transactions has kept them constantly before the public so that it has been assumed by many that these were the only market places in existence.

The quiet development of some obscure interior point has taken place almost un-noticed. It comes as a surprise to many that these institutions have been gradually developing over a long period of time.

19.

Students of the packing industry have neglected these interior plants in their discussion. They have only mentioned terminal markets when illustrating the magnitude of the industry. Breyer (1) mentions the chief meat packing centers of the United States such as Chicago and after naming national packers, he refers to "local packers, sometimes termed independents." He cites Kingan and Company, of Indianapolis as typical of these independent or regional packers. This firm is located on a terminal market. The fact that it makes direct purchases is not mentioned. Iowa and Minnesota plants located off the terminal markets are entirely overlooked. Surely it is time to present a study which will properly appraise the influence of the interior plants in the packing industry.

B. Previous Studies Classified.

The direct marketing controversy has yielded three types of literature. The first constitutes a number of scientific studies upon certain short time phases. Then, formal papers presented before various organized groups have been briefs of partisan advocates, either favoring or condemning the new development. Finally, a miscellaneous group of documents has been systematically broadcast throughout the state. These pamphlets, advertisements, and resolutions usually denounce the practice of direct marketing.

Direct marketing has always been a vital factor in the market distribution of Iowa hogs but only recently have studies been made on this important problem.

1. Scientific studies.

   a. Nourse and Hammans. As early as 1921 Nourse and Hammans recognized the importance of the subject. After making a survey of cooperative livestock shipping in Iowa they pointed out that "the whole question of our local markets for livestock needs detailed study". (1)

   b. Hammans. In 1923 Hammans completed a three-year survey which included the history, growth, magnitude, general organization, and nature of outlets of the reload stations in the state. He placed the date of the beginning of direct packer buying of hogs at Valley Junction, Iowa, and Savannah, Illinois, at 1903. He figured that in 1922 eighteen per cent of Iowa hogs marketed passed through the reload stations as compared to 16.7 per cent in 1921 and 14.7 per cent in 1920. With respect to the organization and control ten were independents and five were controlled by the packers. "Reload receipts, thus far, seem to have acted only as a steadying influence on the market in that they have supplied packers which have been largely situated at some distance from the terminals, with an even and steady fill", he said. Concerning the competitive position of

the reload he concluded, "one must concede that the market net of these plants, over a period of time, must equal or exceed the market net received at its competing terminal or local packing house, or they could not have commanded such a large volume of receipts". (1)

This study indicated that an important factor in the development of reload stations is the transit privilege and this advantage has had a far reaching effect upon Iowa hog movements.

c. Stout. A study made by Stout on direct to packer marketing of hogs in Ohio covered the years 1926 to 1923. He differentiated between direct marketing of hogs as it is handled in the western part of the corn belt and direct selling of hogs as it was handled in Ohio. The difference seemed to be almost entirely in the comparative bargaining power of buyer and seller. He believed the packer who transacts business with individual producers has the advantage as to bargaining ability, but that organized producers may market through direct selling agencies to a great many outlets and thus be able to bargain effectively with individual packers. Discussing the effect of direct marketing on the prices producers received for their product, he concluded that there was a gain to the farmer of 5.4 cents per hundred-weight in 1926.

cents in 1927 and 23.2 cents in 1928. The data used in this study "covered direct to packer shipments of hogs from six Ohio counties along with the direct shipments from the Montpelier stockyards, Montpelier, Indiana, were taken into consideration for the years 1926, 1927 and 1928. This territory furnished a sample of 61,918 hogs weighing 13,601,866 pounds in 1926; 72,399 hogs weighing 16,268,674 pounds in 1927; and 59,570 hogs weighing 12,832,128 pounds in 1928. An aggregate of 192,957 hogs weighing 42,610,668 pounds for the three-year period. This volume represented approximately 66 2/3 per cent of the entire volume handled by the Eastern States Company during the period under consideration". (1)

_d. Miller._ An examination was made by Miller in which he analyzed "the circumstances in the hog trade of the corn belt surrounding the increase of direct marketing and the economy of it". He distinguished between the terms, direct packer buying and direct selling to packers, and pointed out that direct marketing of hogs in the corn belt at the present time is pretty much a matter of direct packer buying. He concluded that "the possibilities of direct marketing should be sufficient challenge for them to meet the packer at least half way in the development of a more satisfactory livestock marketing system". Data presented showed "how rapidly slaughtering has grown at

(1). Stout, Whitney Bowman. _An Analysis of Direct to Packer Marketing of Hogs in Ohio._ Unpublished Thesis. Library, Ohio State University, Columbus, Ohio. 1930.
interior points in hog production territory tributary to the most important livestock market centers. Hog slaughtering has clearly shown a marked tendency to spread out from these market centers into the regions of hog production. This is the situation with respect to hog slaughtering in those sections of the corn belt where hog production is being maintained." (1)

"It is evident, therefore, that the number of hogs slaughtered annually in eastern and southeastern states as well as on the Pacific Coast has increased during the period under consideration, while the number slaughtered at principal stockyards markets in the corn belt has not increased." (1)

In discussing the above study Henning said, "One of the common practices adopted by the buying agencies is to pay a very good price in comparison with the terminal markets for one particular grade of hogs, and to discount the price severely on the hogs which fail to make the select grade. This is done in most cases no doubt to discourage delivery of hogs which are not of a grade demanded by the packer outlet, for many packers demand a very select grade of hogs. However, many believe this practice is to increase the margin and revenue of the buying agency. It does mean that livestock producers must meet the select grade demanded, or take the dis-

count on the off-grades, or dispose of the off-grades to another livestock marketing agency which is more nearly in line with other markets." (1)

e. Bjorka. A statistical analysis made by Bjorka showed that hog and hog product prices bear the same general relationship to each other during the period 1926 to 1930, when direct buying by packers assumed large proportions, as during the preceding four-year period when there was relatively little direct buying. In regard to this point he concludes that, "there is no statistical evidence that the relationship between pork product prices and hog prices has been modified since 1926, when direct buying of hogs showed marked increase." Likewise there is no statistical evidence that direct marketing has contributed to the depression of prices of pork products. On the contrary Bjorka's study reveals higher prices since 1926 than prevailing market conditions would lead one to expect. But in regard to this situation he states, "We are not justified in drawing the conclusion that the higher price of hogs (and consequently of pork products) as compared to estimated prices during the period 1926-1930 was due to the increase in the proportion of hogs bought direct. Other factors may have been responsible. It must be concluded, however, that

this study yields no statistical evidence to show that the increase in direct marketing of hogs has had a depressing effect upon the level of hog prices and the price of pork products."(1)  

2. Formal papers.  

a. Thompson. In a discussion of the major problems of local shipping associations, Thompson mentions the fact that the associations of Iowa used at least forty-four different markets and that single associations often used three or four quite extensively. (2)  

b. Burmeister. A study was made by Burmeister on the effect of shifts and changes in corn and hog production on the developments in hog marketing methods and changes in the packing industry. He found, "the tendency for corn acreage to expand in the Northwest and for pork production and hog slaughtering to follow it is in harmony with the general western program of corn culture that has been going on since the Corn Belt was first settled. In the path of this westward expansion, Cincinnati and Chicago successively attained the recognition of being the pork packing center of the nation. While Chicago still maintains its supremacy in this respect, and will likely continue to do so for a long time to come, it has not in

recent years been able to maintain the proportion of the busi
ness that it once enjoyed." (1)

c. Miller. The conclusion was reached by Miller that,
"it may be said that most significant changes in the market-
ing of hogs are in process, which are the result of important
changes in the location of slaughtering, of competition for
hogs on the part of packers differently situated with refer-
ence to primary market centers and sources of the hog supply,
and finally of the large opportunity that exists for farmers
to enhance farm prices through careful selection of markets
and outlets and the development of efficient methods of trad-
ing." (2)

In another study Miller pointed out that the belief in a
deleterious effect of direct marketing upon prices is an illu-
sion and furthermore that direct marketing in reality may af-
ford a method of price determination superior to that of public
markets in that price risks inherent in stockyard trade may be
greatly reduced if not entirely eliminated. He concluded that
"direct marketing even in its present stage of development,
which may be characterized as direct packer buying, has had no

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(1). Burmeister, C. A. Shifts in Corn and Hog Production and
Their Relation to Livestock Markets and the Packing Industry.
American Institute of Cooperation. American Cooperation.
(2). Miller, Paul L. Developments in the Hog Trade. American
Institute of Cooperation. American Cooperation. 1927, 1:553.
tendency to weaken competition for hogs and depress prices." (1)

In 1930 Miller concluded that "fundamentally its (direct marketing) progress has been due to underlying progressive developments, which have paved the way for closer trading relations between farmers on the one hand and packers on the other." (2)

d. Derrick. A 1926 survey of direct buying in Iowa made by Derrick resulted in his finding that competition was keen, each buyer being confronted with competition from two to seven reload buyers in addition to local buyers who shipped to terminal markets. (3)

He concluded that "from this study it appears that the packer is making an effort to know his buying territory, the terminal markets, and the relation of the terminal market to the buying territory, as regards quality of product secured, dressing percentages, and relative costs.

"Likewise, the farmer, the independent buyer, and the cooperative shipping association, are for the most part alive to the necessity of interpreting each market quotation and of being in a position to quickly analyze the market news which

is being disseminated by radio, telephone, telegraph, market letters and by market journals." (1)

"The above study indicates that reload station managers and packer buyers are creating an active competitive market for Iowa hogs, but if the shipper of hogs is to net the high dollar, he must know in detail marketing costs in all markets and be so well informed as to select his market wisely, day by day." (1)

In a discussion of direct packer buying in Minnesota, Derrick pointed out the whole situation created a problem and he said, "that some middle ground would soon be reached, where the packer and producer will both be willing to get together around the same table and determine from time to time a safe and sane course which will work to the mutual benefit of the producer and packer, since both are dependent upon the consuming public for profitable production for capital and industry as a whole." (2)

e. Ketner. A staunch defense of direct marketing was made by Ketner, the general manager of the Eastern States Company. This organization was formed to market hogs direct to packers.

He maintained, "The Eastern States Company incorporates those certain principles so that in actual practice as well as theory it saves the producers and packers $25 to $100 per car in marketing expense; it enables the stockmen to meet centralized buying with centralized selling to the decided advantage of each; it reflects grade directly to the producer which is resulting in the improvement of the quality and condition of hogs marketed. Each of these results is of great consequence to the livestock producer and all those interested in the livestock industry. It is the opinion of the speaker, therefore, that throughout the areas of dense hog population of the entire Corn Belt, this type of organization may be very properly utilized." (1)

F. Woodman. At the same institute the manager of a cooperative commission association at Kansas City, Woodman, attacked direct marketing of hogs and said, "If I were a producer in any community where the manager of a shipping association shipped hogs direct to the packer, he couldn't have one of my hogs."

In the same speech, this manager pointed out that his organization was "placing large numbers of stockers and feeders (cattle) direct from range to feed lot, without coming through

the stockyards, eliminating the extra freight charges, unloading and feed charges, and things of that kind." (1)

g. Meiks. The general manager of an Indianapolis cooperative commission association, Meiks, advocated local concentration points and concluded,

"1. Given a dense hog population, good roads, good communication, and cooperatively spirited farmers, a local farmer-owned concentration point may be economical and successful as collectors, graders, and shippers of livestock.

"2. A number of cooperative points may, by combining, maintain efficient sales service.

"3. A county auction cannot be expected to fit into an large system of livestock marketing.

"4. A privately owned concentration point will sooner or later become a burden to any livestock producing district.

"5. There must be cooperation between the selling organizations for concentration points and our cooperative selling agencies on the terminal markets." (2)

h. Smith. A manager of an Indiana livestock shipping association, Smith, concluded that the direct selling problem can not be dodged. He pointed out that direct selling "does

not destroy terminal market competition." He observed further that "every other line of business has had its sales method changes, so we are due for a change in some direction." (1)

1. Knapp. A study of direct buying at packers' private yards with special reference to the Mistletoe stockyards at Kansas City was conducted by Knapp. After analyzing the method of operation at the Mistletoe yards in the livestock marketing and price making system he pointed out that "the burden of proof on the question that Mistletoe Yards depresses the public market rests with the opponents of the Mistletoe Yards . . . . . . . If it is as economical to ship directly to the packers at terminal market centers as to ship to the terminal markets, there should be no obstacles placed in the way of those who wish to do either." (2)

2. Montgomery. A persistent and influential critic of direct marketing is Montgomery, former manager of the Central Cooperative Association of St. Paul, a terminal cooperative livestock marketing association. He stated that, "the only method which we have of establishing price levels is the working of the law of supply and demand, and this law can only operate freely when trading is carried on in a public and competitive way." He suggests that the large packers have been

influenced in their policy of making purchases in the country by the passage of the Packers and Stockyards Act of 1921 which placed all the operations of the public markets under the strict supervision of the federal government. He stated that the development of the producer-owned cooperative selling agencies at the terminal markets have tended to give the producer "a voice in price determination at these markets unless the movement could be demoralized through direct buying in the country which would cut off the supply of the producer-owned agency." (1)

k. Espe. The Secretary of the Iowa Cooperative Livestock Shippers, Espe, listed certain advantages of direct selling, namely, local markets often pay higher net prices to the farmer, they are close at hand, and it is possible for the farmer to bargain while the hogs are in his possession and to sell more of them on an up market. (2)

3. Documents.

A miscellaneous assortment of documents includes pamphlets written by John Tromble, of Kansas, and W. W. Borders, an attorney of Kansas City. A number of articles appeared in the Chicago Daily Drovers Journal, the most important being a

conspicuous advertisement headed "Before and After—Look at This." The sum and substance of these documents are that direct marketing lowers the price level on hogs in general because of the removal of competition from the central markets.

John Tromble, representing the Farmer's Union of Kansas, appeared before the United States Senate Committee on Agriculture and Forestry on February 14, 1924 and said (referring to the controversy over the Mistletoe Yards), "We both realize the position the market is being put in by the manipulation of the private market. We realize the dangerous conditions that we are living under, and particularly the conditions out there. We realize that they are going to dominate the market outside the public market." (1) In the same hearing he pointed out, "It is a dangerous thing, friends, and we are up against a stone wall. We have no recourse. If we have to stay up there, without any chance of protection, or any way to help ourselves or to protect the open competitive market in this country, I tell you, friends, there is going to be disaster." (2)

In a pamphlet published privately by Tromble and given wide circulation, he stated, "I am firmly of the opinion that the system of private marketing, which the big packers

(2). Ibid. p. 20.
are endeavoring to install, if unchecked, will destroy the present open and competitive system of livestock markets, render the production of livestock unprofitable, render valueless millions of acres of land, and create a financial debacle in the country generally." (1)

b. The Chicago Daily Drovers Journal. The market newspapers, notably the Chicago Daily Drovers Journal, have published from time to time certain articles and advertisements signed by exchange interests. These articles maintained that hog prices have been reduced by direct marketing. A sample follows:

BEFORE AND AFTER - LOOK AT THIS.

Week Ending January 5, 1929.

<table>
<thead>
<tr>
<th>Packers</th>
<th>Chicago Slaughter Week's general average price at Chicago on all hogs sold.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number bought at Chicago</td>
</tr>
<tr>
<td>Armour &amp; Co.</td>
<td>37,500 13,600</td>
</tr>
<tr>
<td>Swift &amp; Co.</td>
<td>38,000 13,500</td>
</tr>
<tr>
<td>Wilson &amp; Co.</td>
<td>24,500  7,100</td>
</tr>
</tbody>
</table>

100,100 34,200 $8.85

Week Ending January 9, 1929.

<table>
<thead>
<tr>
<th>Packers</th>
<th>Chicago Slaughter Week's general average price at Chicago on all hogs sold.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number bought at Chicago</td>
</tr>
<tr>
<td>Armour &amp; Co.</td>
<td>39,300 36,800</td>
</tr>
<tr>
<td>Swift &amp; Co.</td>
<td>27,500 34,500</td>
</tr>
<tr>
<td>Wilson &amp; Co.</td>
<td>18,200 17,600</td>
</tr>
</tbody>
</table>

95,000 88,900 $11.70

The above figures show that during the week ending Jan-

January 9, 1926, direct buying packers in Chicago slaughtered 95,000 hogs, 93.5% of which were bought on the open competitive market at Chicago. Average cost of all hogs bought on open competitive market that week was $11.70. During the corresponding week of 1929 they killed 100,000 hogs of which only 34.2% were bought on the open Chicago market under competitive conditions. The average cost of all hogs bought in Chicago that week was $8.35 per hundredweight.

This curtailment of packer buying on the Chicago open market, due to direct marketing in the country, resulted in reduction of the average price of all hogs bought on the Chicago market of $2.85 per hundredweight, a reduction of over $6.00 per head on all hogs in the United States, Chicago being the price fixing market.

Signed,

Chicago Livestock Exchange. (1)

C. Borders. According to Borders "The issue is whether the present public, competitive markets, which have been in use over fifty years, shall be preserved, or whether the private system of marketing, without competition or Government regulation, shall be substituted therefor." (2)

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III. THE INVESTIGATION.

A. Purpose of the Study.

1. Long time picture presented.

The purpose of this study is to present a long time picture of the development of direct marketing of hogs in Iowa. Many regard direct marketing as an innovation which has sprung up during the last decade and practically all of the current discussion of this subject is based upon this belief. We shall examine the accuracy of this assumption.

2. Major factors considered.

The major factors associated with the development of direct marketing will be isolated, in so far as possible, and their relationships analyzed. The practice of direct marketing is now so wide spread that it is improbable that it has been brought about through the influence of any one single factor. We shall test this hypothesis.

B. Plan of Investigation.

1. Historical importance of direct marketing.

The extent to which direct marketing developed in the early days of Iowa history was determined by examining reports of the United States Department of Agriculture, Annual Reports of the Iowa Agricultural Society, reports of trade
associations such as the Chicago Board of Trade and the New York Produce Exchange, and other official documents such as reports of hearings before congressional committees. Census reports were used as a source of county hog population data.

2. Present status of direct marketing of hogs in Iowa.

Data collected by the Bureau of Agricultural Economics of the United States Department of Agriculture indicate the extent to which this practice developed since 1920. The fifteenth United States Census schedules collected data showing the volume of hogs purchased by packers direct and classified the origin of the hogs. From some of these sources information was secured which indicated the importance of the Iowa packing industry.

The copy of a manuscript with notes collected by Alvin D. Oderkirk, a graduate student at Iowa State College, was very helpful. Tests for the accuracy of the facts in this manuscript gave affirmative answers in every instance. The Annals of Iowa and other historical publications yielded a certain amount of miscellaneous information. Personal contacts with members of the trade including selling interests representing association managers, officers and directors, officials of the packing industry, executives of the stockyards companies, exchange officials, commission firm representatives, and other personal conferences were invaluable.
Certain points have thus been cleared up and unpublished information secured. Opportunity was afforded the writer as research assistant in the School of Commerce and Administration of the University of Chicago to obtain first hand information from various agencies located at the terminal market.

In addition to the library of Iowa State College and the State Historical Library at Des Moines, Iowa, the public libraries of Cedar Rapids, Council Bluffs, Des Moines, Mason City, and Sioux City, Iowa, were consulted. The public libraries yielded information of a local nature useful in the prosecution of this study.

C. Phases of the Problem Selected for Study.

The information collected indicated that direct marketing has been an important factor in the hog trade during the entire period covered in the study.

Material covering the period since 1920 was found to be rather complete. Data covering the period prior to that time were scattered and, on the surface, many of them did not refer directly to the problem of direct marketing. An interpretation of these data has been necessary in order to show their true significance to the problem in hand.

The search for facts contributed the information that certain major influences were worth studying in an attempt to present the picture of the development of direct market-
ing of hogs in Iowa. These factors are as follows:

1. The development of the Iowa hog industry.
2. The rise of the packing industry in Iowa.
3. The effect of transportation upon direct marketing.
4. The relation of government to direct marketing.
5. The channels of the direct marketing system.
6. The relation of market news to direct marketing.
IV. DISCUSSION OF THE PROBLEM.

A. The development of the Iowa Hog Industry.

1. Early hog production.

The year 1831 marks the beginning of the hog industry in Iowa. A Mr. Edward Langworthy brought a drove of hogs from Illinois and turned them loose in the woods along the Platte River where they flourished and increased rapidly. Many of them ran wild as was the practice at that time. (1)

At that early date hog production did not require much attention on the part of the owner. In the new and undeveloped territory hogs took care of themselves for the most part. Near the present site of Pella they were allowed to roam in the woods all summer and were driven home a few weeks before slaughter to be fattened on Indian corn. (2)

2. Early hog marketing.

Farmers either slaughtered their own hogs and hauled the meat to market or drove their live animals to nearby

points. The early Holland settlers prepared hams and bacons as well as lard and took them to points on the Mississippi River. At one time a small group of farmers had 25,000 pounds of ham and bacon and 5,000 pounds of lard ready for shipment. In Jones county the hogs were killed at home and hauled to Dubuque fifty miles away and sold at one and a half to three cents per pound. (1)

The farmers brought hogs and corn to the early merchants in exchange for merchandise. The merchant finished feeding the hogs and after slaughtering them sent the meat to market. (2)

3. Expansion of hog production.

The frontier of a westward movement had reached Iowa and "in 1840 followed approximately a line running through Ottumwa and Iowa City, finally touching the Mississippi in the present town of Guttenburg. By 1850 it had moved out toward the center of the state. If a line were drawn from the southwest to the northeast corner there would be tongues of settlements west and north of that line in the Missouri and Des Moines valleys, and there would be unsettled areas east and south of the line in the vicinity of modern Quincy, Marshalltown, and Oelwein. But the settled area west and north of such a line would hardly fill the unsettled parts east and south of it. In 1840 the territory had contained but eighteen counties; in 1850 the state had forty-nine." (3)

From small beginnings hog production expanded until in 1932 Iowa farmers marketed 12,515,905 hogs, according to the

latest statistics. (1)

4. Census data examined.

The story of the expansion of hog production can be most effectively and accurately told by an analysis of census data for each county in the state.

a. Limitations of the data. It is recognized that census data possess certain limitations. Changes in the time of year when the census enumerators gathered the figures and in the scope of the questionnaires make it difficult to compare accurately the data contained in the several reports. Dr. Sewall Wright, formerly of the Bureau of Animal Industry of the United States Department of Agriculture, prepared estimates for the total number of hogs and pigs in the United States for January 1 of the census years 1850 to 1920. (2)

b. Method of analysis. From these data the writer computed the ratio between the total reported by the census and the estimated total compiled by Dr. Wright. This ratio was then applied to the county census figures in Iowa. The fact that the estimated number of hogs on farms in Iowa during

this period was as high as 18.4 per cent (1) of the total in the United States suggests that the application of this ratio to Iowa conditions is justified from the standpoint of size of sample. The 1925 census was taken as of January 1. The 1930 census data for Iowa were compared with the January 1 United States Department of Agriculture estimates and the totals were so nearly identical that the census data have been adapted as the January 1 estimate.

5. Hog population density.

The accompanying maps have been prepared from the January 1 estimates. They show the density of hog population in each county. The computation was made by dividing the estimated number of hogs January 1 by the number of square miles in the county to secure the number of hogs per square mile.

a. County analysis. Map I shows that in 1850 no county in Iowa contained more than 100 hogs per square mile. Only three counties had over 50 hogs per square mile. They were located in the extreme southeastern part of the state, Lee, Des Moines, and Jefferson. Map II shows that in 1860 six additional counties had come into this group, Muscatine, Washington, Keokuk, Henry, Van Buren, and Davis. Map III shows that by 1870 this group had pushed itself west and north, west as far as Polk, Warren, and Lucas and north as

(1) Carl, Leslie W. Livestock in Iowa Agriculture. op. cit.
far as Delaware and Dubuque counties. Incidentally, Fremont, in the extreme southwestern part of the state, was one of this group. The most rapid growth in hog density in the state came during the decade 1870-1880; by the latter date all except nineteen counties in the extreme northern and western part of the state had 50 or more hogs per square mile and five counties, Scott, Cedar, Jones, Johnson, and Marion had between 200 and 249 hogs per square mile. This fact is indicated in Map IV. At the close of the next decade, 1890, Map V shows that only four counties along the Minnesota border, Winnebago, Dickinson, Osceola, and Emmett, had fewer than 50 per square mile while in 1900 Dickinson remained alone in this class. Map VII shows an interesting shift in 1910 when Appanoose county, in the extreme southern part of the state, became the only county with less than 50 hogs per square mile. Seven counties to the north and west had dropped back into the 50 to 99 hogs per square mile class. The maps clearly show a definite trend toward increasing hog density in western and northwestern Iowa. Maps VII and VIII indicate graphically the rapid increase in density in certain northwestern counties as well as in Cedar county in the east central area.

Shifting density within the state becomes noticeable after 1890. In that year twenty-one counties had 200 or
more hogs per square mile. All were in the five southern tiers of counties. Map IX shows that there were eleven counties in this group in 1925. Five of them were in the north west section. In 1930 one county, Sioux, in north-western Iowa had over 300 hogs per square mile while seven contiguous counties in the southeastern part of the state had less than 50 hogs per square mile. The wave of hog production which started in southeastern Iowa swept north and west over a period of a century. This fact must be considered as we study the rise of the packing industry in Iowa and the simultaneous development of direct marketing of hogs.
MAP I. IOWA HOG POPULATION DENSITY IN 1850.

SUPPORTING DATA IN APPENDIX A.
HOG POPULATION DENSITY IN 1850.

PPORTING DATA IN APPENDIX A.
MAP II. IOWA HOG POPULATION DENSITY IN 1860.

SUPPORTING DATA IN APPENDIX A.
POPULATION DENSITY IN 1860.

For full data see Appendix A.
MAP III. IOWA HOG POPULATION DENSITY IN 1870.

SUPPORTING DATA IN APPENDIX A.
III. IOWA HOG POPULATION DENSITY IN 1870.

SUPPORTING DATA IN APPENDIX A.
MAP IV. IOWA HOG POPULATION DENSITY IN 1880.

SUPPORTING DATA IN APPENDIX A.
IV. IOWA HOG POPULATION DENSITY IN 1880.

SUPPORTING DATA IN APPENDIX A.
MAP V. IOWA HOG POPULATION DENSITY IN 1890.

SUPPORTING DATA IN APPENDIX A.
V. IOWA HOG POPULATION DENSITY IN 1890.

SUPPORTING DATA IN APPENDIX A.
MAP VI. IOWA HOG POPULATION DENSITY IN 1900.

SUPPORTING DATA IN APPENDIX A.
II. IOWA HOG POPULATION DENSITY IN 1900.

SUPPORTING DATA IN APPENDIX A.
MAP VII. IOWA HOG POPULATION DENSITY IN 1910.

SUPPORTING DATA IN APPENDIX A.
II. IOWA HOG POPULATION DENSITY IN 1910.

SUPPORTING DATA IN APPENDIX A.
MAP VIII. IOWA HOG POPULATION DENSITY IN 1920.

SUPPORTING DATA IN APPENDIX A.
VIII. IOWA HOG POPULATION DENSITY IN 1920.

SUPPORTING DATA IN APPENDIX A.
MAP IX. IOWA HOG POPULATION DENSITY IN 1925.

SUPPORTING DATA IN APPENDIX A.
IX. IOWA HOG POPULATION DENSITY IN 1925.

SUPPORTING DATA IN APPENDIX A.
MAP X. IOWA HOG POPULATION DENSITY IN 1930.

SUPPORTING DATA IN APPENDIX A.
IOWA HOG POPULATION DENSITY IN 1930.

SUPPORTING DATA IN APPENDIX A.
b. District analysis. For the purpose of further analysis the data have been arranged on the basis of nine districts. These districts are those used by the United States Department of Agriculture in its Crop and Livestock Reporting Service and are indicated in Map XI. The supporting data appear in Appendix A.

The northwest district shows an absolute increase in the number of hogs and an increase in percentage of state total every decade since the first figures were available in 1860 with the exception of a slight decline from 1900 to 1910. The west central district shows an increase until 1890 in numbers and percentage. Since that time it has increased in absolute numbers while the percentage has declined slightly. The southeast district shows an increase in absolute numbers to 1880 followed by a decline to 1910 when there was an upward turn which prevailed for the past three decades. The percentage, however, declined from 62.23 per cent in 1850 to 8.79 per cent in 1900. Since that time it has increased slightly. In 1930 it comprised 9.14 per cent. The percentages of the total hog population in each district are shown graphically in Map XII. It illustrates the movement of hog population from the southeastern to the northwestern part of the state. In 1850 more than two-thirds of the Iowa hogs were located in the southeast district.
During the subsequent years of decline after 1880 that proportion has never been as high as 10 per cent. The north central and northwest regions have shown steady increases in percentage of the total hog population in the state. The west central district found its position in 1890 and has remained rather constant since.

As these districts have tended to increase the other districts have, of course, declined. Some have declined more than others. The east central and northeast districts have shown a tendency to maintain their positions during the last two decades. There has been a general tendency toward decline since 1870. The central district reached a high peak in 1880 and its decline since then has been slight. The south central district has declined markedly since 1870 while the southwest district has shown a more gradual decline since 1890.

The definite shift of hog production to the west central and northwest districts is a fact which helps explain the rapid growth of the Sioux City market, the Omaha market, and the increased number of reload stations established in recent years to draw hogs from the west central and the northwestern part of Iowa.
MAP XI. THE NINE IOWA CROP REPORTING DISTRICTS.
XI. THE NINE IOWA CROP REPORTING DISTRICTS.
MAP XII. THE SHIFT OF THE IOWA HOG POPULATION. 1850-1930.

SUPPORTING DATA IN APPENDIX A.
XII. THE SHIFT OF THE IOWA HOG POPULATION. 1850-1930.

SUPPORTING DATA IN APPENDIX A.
6. Value of hog population analysis.

The value of this analysis is readily seen. The trend of hog population in the different areas indicates the potential hog supply from specific districts. County agricultural committees can use these data effectively in planning market organizations. Market agencies, whether local, district, or state, are able to estimate the potential hog supply in the areas in which they are interested. Railroad managers need to study this information to assist them in determining the logical points at which to establish concentration privileges on their lines. Packers who wish to establish buying stations or packing plants will find this long time analysis of special use in planning future operations in the various territories. Research departments of companies selling tankage and other supplies used by hog farmers will find this information an aid in determining the location of branch houses. Established market agencies can use this information in analyzing their market area to determine whether their increase or decrease in business is the result of the trend in hog population or of competition. Market analysts who are studying market areas for their product will find these data helpful since the receipts from hogs constitute the largest single source of income in Iowa.

1. **Local markets established early.**

   Local self-sufficiency characterized the early western settlement in the frontier territory of the United States, and Iowa proved no exception. As economic development progressed this type of economy gradually gave way to a new system of specialization which called into being the institution known as the market.

2. **Early markets influenced by geography.**

   Local markets sprang up along the rivers and usually embraced a town and the tributary area of a smaller stream. Geography, therefore, became a dominant and often the one influence which determined the location of a market place. Producers who had a surplus of hogs began to assemble at strategic points for the purpose of exchanging them for supplies and other wares. Iowa hog producers entered into this picture in the early part of the second quarter of the nineteenth century. As soon as they produced a surplus of hogs beyond their immediate use markets developed. Two methods of transporting hogs were available to the farmers. The first was to drive them to a market on hoof and the second to slaughter them at home and haul the carcass by wagon or sled to some nearby town.
The fertile soil and the attendant large corn crops made possible heavy hog production. The dense hog population in Iowa made feasible the assembling of uniform weights and grades of hogs in a small area. Local markets were, therefore, a natural evolution in such an area whereas a sparse hog population would necessitate the assembling from a wider area. As the distance between producer and the market increases there was a tendency for middleman services to develop.

The geography of hog production thus partly determined whether hogs would be marketed direct at a local market or whether they would be consigned to a terminal stockyard. The tendency for geography to determine definitely the location of the market place is further demonstrated when it is noted that topography influenced transportation routes leading to market centers.

The smooth level prairie of Iowa made possible the construction of a broad network of railroads and highways. These systems extend in all directions and there is no one point in Iowa through which all hogs must pass before going to their ultimate market destination. The lack of a compulsory geographic route made possible a broad choice of market outlets.

The Mississippi River, on the eastern edge of the state, constituted in early days a natural route for the movement of
hogs. On this account hogs were either slaughtered at points on the river or at some point near the river and the products floated down the river to the market. As railroads were built west of Chicago the river furnished a natural terminal. When the roads were built west of the river the towns on the river naturally became the railway division points. Thus Burlington, Davenport, Clinton, and McGregor, to mention a few, became natural unloading points for hogs. Central markets have not developed on the Mississippi River because each railroad crosses the river at a different point. In the case of Omaha on the Missouri River in the western part of the state the situation is somewhat different. Omaha is the terminal of several railroads and a terminal market has naturally grown up at this gateway. The same is true of Sioux City to a lesser degree.

The railroads of Iowa with one or two exceptions have been built from Chicago and radiate from that point. With the exception of the Wabash lines in Iowa which direct traffic to St. Louis, the Minneapolis and St. Louis Railroad serving Peoria and the Great Northern pointing to the Twin Cities, we find every major line having one terminal at Chicago. An Iowa shipping point may have two or more railroads but the terminal is Chicago.

The strategic position occupied by Chicago as a traffic center is invulnerable so long as anything like an equitable
freight rate structure is maintained. The flow of either livestock or meat products to the consuming centers of the east passes through the Chicago area. The construction of terminal yards on the outer edge of Chicago and the building of belt line railroads around Chicago to avoid congestion of through traffic of all kinds is a condition which the hog producer in Iowa should consider.

The great centers of population of the United States are located north and east of the Iowa corn belt area where the surplus crop of hogs is produced. Two diametrically opposed methods of getting pork to the consumer have developed as a result of this distance between producing and consuming sections. One method calls for transporting the live hogs to distant cities to be slaughtered near the points of consumption; the other method is to slaughter the hogs and ship the meat to the consuming population.

Consumers help determine which method will be used. That part of the population which demands strictly fresh meat makes it a necessity to establish slaughtering plants close at hand. Even with the use of modern refrigeration it is not possible to get western fresh meat to the eastern market without losing some of its freshness. Nearby markets are, therefore, able to supply this demand and the consumers are willing to pay as high as three or four cents a pound extra for this kind of meat. The trade which desires
a light cure on meats can be served more satisfactorily when the plant is close at hand, although cured products can be shipped from distant points to fill the requirements of that type of demand. Custom, therefore, develops a preference and the alert slaughterer attempts to satisfy the demands of the trade. The packer often finds the demand to vary in different markets and his buying operations take this into account. On the other hand, the packer does not control the source of supply of his raw material. He must purchase the kind of hogs offered him and must do his best to manufacture from them the kind of meat products demanded by the consuming trade. Very definite requirements are established in various consuming centers. This is aptly illustrated by a high executive official in the packing industry who recently said, "The Chicago market demands light pork loins with the shoulder blade removed; Cleveland, on the other hand, buys heavy loins with the blade bones in. Pittsburgh buys pork shoulders weighing upwards of sixteen pounds in great quantities, while Scranton, in the same state, demands very light shoulders weighing from eight to ten pounds—and neither city will take what the other wants. A certain pork shoulder cut which the trade calls a Boston butt cannot be sold in Boston and now it acquired its name is a mystery."(1)

A good example of how the consumer's demand shifts by regions and how that shift affects market outlets is the case

of the recent rapid increase in the population of Texas, Oklahoma, and California. The development of the cotton industry in Texas has coincided with the decline in the cotton industry in southeastern United States. Instead of going to Chicago and thence to the southeastern states some hogs are now slaughtered in Iowa and shipped to Texas and the Southwest without going through Chicago. Live hogs are purchased in Iowa and shipped direct to Oklahoma and Texas to supply the fresh meat trade. The rapid increase in the population of California has created a demand for hogs which reflects itself as far east as the Missouri River markets.

3. Packing plants established early.

The location of packing plants in Iowa began at an early date. In June, 1836, Captain John Litch arrived in Scott County from Newbury Port, New Hampshire. He immediately built a whiskey ship, but "the eccentric Captain dealt in almost anything and everything that came along . . . . . In the provision line, he kept everything that could be had from pork and flour down to pumpkins and turnips."

J. M. D. Burrows, a native of New York City, came to Iowa. It is interesting to note that he went to Cincinnati before locating in Iowa. He bought and packed the first pork that was ever sold in Davenport. "This he took in the spring of 1841, with the hams and shoulders to Prairie du Chien, and sold them to Rice and Dowsman, Indian traders, who were then receiving his pay in the only currency then known, silver

(1). Annals of Iowa 1:45-46. 1863.
dollars and half-dollars, with a little gold coin." (1)

4. Early packing plants located on rivers.

The merchants were located in towns along the rivers and in the forties and fifties they built their own flat and keel boats during the winter and sent them out in the flood time of spring loaded with pork and wheat to St. Louis. (2)

The flat boats and barges came from all the streams of the Iowa country and were usually accompanied by the merchant owners. Upon arrival at his destination the proprietor sold his pork and grain and his boat and invested the proceeds in stocks of goods and then embarked home with his freight loaded on a steamer. (3)

A Mr. Edward Manning appears to have been the earliest pork packer and shipper in Iowa. He supplied the post at Raccoon Forks with commissaries and transported them from St. Louis by steamboat in 1840. He built and ran the first flatboat of pork out of the Des Moines River. In his experience in flatboating he only recalled the sinking of but three laden with pork and grain. (4)

(2). Van Der Zee, Jacob. The Roads and Highways of Territorial Iowa. The Iowa Jour. of History and Politics. 3:193. April, 1905.
a. Davenport. At the same time, however, pork was being packed in Scott County at Davenport by Shays and Gans while in 1842 the first packing house was built by J. M. D. Burrows. In 1841 pork sold from one and one half to two cents per pound. In 1849 two pork houses were doing flourishing business in Davenport and the population of that town in 1852 was listed at 3,500. (1)

b. Dubuque. Further up the river at Dubuque, attention was being drawn to the advantages which might be derived by the city from the location of a packing plant at this point. In the early forties the city commission of that place voted favorably on a proposed market or slaughter house, the plans for which were finally accepted in 1845. Three years later, in 1848, George Rath, who had just arrived in Dubuque as an immigrant from Germany, entered into partnership with John H. Stroebel in the manufacture of candles and in pork packing. (1)

c. Burlington. Other Mississippi River towns which played an important part in Iowa's packing industry prior to the Civil War included Burlington and Muscatine. In 1850-51 Burlington packed 25,000 hogs. The Burlington papers of 1856 remarked that "the pork packing business is carried on more extensively in Burlington than in any city of its age in the United States. Burlington has been named the 'Porkopolis of Iowa'. There are three pork packing houses here." (1)

The packing house owned by Schenck and Denise was mentioned as being of large dimensions and capable of smoking 8,000 hams at a time. There was said to be an acre of pork piled up several feet high in two packing houses in Burlington.

d. Muscatine. Six packing companies were reported to be operating in Muscatine before the Civil War. In the deflation period, beginning in 1865, most of them ceased operations but Muscatine continued to be a packing center of importance.

e. Keokuk. Lee County boasted of one of the earliest packing businesses. Hughes and Company, in addition to operating a cooperage establishment, turned out 1,900 barrels of pork, 300 tierces of lard, and other meat products in one year of its early business in Keokuk. (1)

At least two cities in Iowa packed more hogs in the season 1849-50 than did Chicago. Keokuk packed 19,000 hogs and Burlington 29,000 hogs while Chicago packed only 11,900. (2) In 1851 and 1852 three Iowa cities, Burlington, Keokuk, and Muscatine, packed 27,500 hogs while in the following year 1850-53 these three cities packed 70,500. (3)

During this period hogs were marketed direct to the merchant processor, the packer, or the drover, without the use of

(3). Ibid. p. 568.
intermediate middlemen. The farmers did their own bargain-
ing either on the surplus meat or on the hogs driven to near-
by markets. Droving of hogs for long distances did not de-
velop as with cattle, due to the inability of the fattened
hogs to make long journeys, and they had to be slaughtered
fairly close to the farm on which they were produced. Since
the waterways were the only feasible means of long distance
transportation for bulky commodities the river outlets were
used exclusively. A large trade developed between Iowa cities
and St. Louis and New Orleans.

5. Market Competition important by 1860.

a. Local and eastern markets compete by 1857. Many mar-
kets competed for Iowa hogs in 1857 when competition between
local and eastern markets appeared. At Mt. Pleasant in Henry
County the number of hogs shipped alive to eastern markets
was nearly 30,000, some of which were from neighboring coun-
ties. At that time one packing establishment slaughtered 7,500
hogs averaging 208 pounds. (1)

In Allamakee County surplus hogs were taken to Minnesota
for sale in bulk, at an average weight of 250 pounds. Dela-
ware County marketed at Dubuque and Minnesota. Jasper County
used only local markets. In Polk County few hogs were slaugh-
tered; most of them were driven to the Mississippi. (2)

(1) Iowa State Agricultural Society Annual Report 1858. Des
Moines, Iowa. 1859. p. 265.
(2) Ibid. p. 196.
The river and railroad towns in hog season were real hog centers. Muscatine and Keokuk, two towns whose population at that time was less than one-sixth that of Cincinnati, "the Porkopolis of the West," packed one-fourth as many hogs as did that famous city. (1) Up to January 1, 1859, there had been packed during the season 53,600 hogs at Keokuk, 47,400 at Muscatine, 31,982 at Burlington, 11,100 at Dubuque, and 6,000 at Davenport. (2)

b. Increased competition by 1859. It is interesting to study the various market outlets at that time. In Appanoose County from 7,000 to 10,000 hogs were driven to Keokuk and the average weight was 200 pounds. (3) From Boone County 1,000 were driven to outside points for slaughter. (4) Buchanan County sent some droves to Minnesota to supply the pioneers. (5) Drovers bought hogs from farmers in Dallas County and paid $2.00 per hundredweight, gross. (6) Fayette County also supplied Minnesota pioneers and several small droves were taken to Chicago. (7) Jackson County slaughtered and sold on foot some 5,000 hogs, the average weight of which was 250 pounds. (8) Johnson County raised hogs in large numbers for export; they were marketed in Muscatine, Chicago, and New York. (9) Jones County exported 12,000 hogs averaging 200 pounds. (10) Keokuk County exported 15,000.

average weight 190 pounds net. (1) Mahaska sold on foot most of the hogs raised in that county and drove them east for slaughter, 18,500 head valued at $34,000. (2) Marshall County exported only 700 hogs, average weight about 200 pounds. (3) Monroe County drove most of its hogs to Keokuk and many persons were engaged in the trade, many of them non-residents of the county. (4) Muscatine slaughtered for export 17,198 hogs averaging 201 pounds, and it was estimated that between 40,000 and 45,000 would be slaughtered in 1859. (5) Lee County exported 2,400 slaughtered at Keokuk, average weight 207 pounds. Future contracts were made for 45,000 hogs weighing only 180 pounds. (6) Louisa reported about 12,000 hogs shipped and slaughtered annually, averaging 200-250 pounds when marketed and, although, in former seasons many had been packed in the county, in 1858 and 1859 most of them were driven to Burlington. (7) Polk County sold from 500 to 900 for export, average weight 230 pounds. (8) Several hundred were driven from Poweshiek County. (9) Scott County packed 13,000 at Davenport, average weight 200 pounds. (10) A good many live hogs were shipped east. Van Buren County slaughtered about 1,000 hogs for export, average gross weight 300 pounds. (11) Washington slaughtered no hogs for export but sent out of the county to other markets 10,000 to

15,000 fat hogs annually. (1) Wayne reported hogs driven
to the river, 7,000 or 8,000, average weight 230 pounds. (2)
Counties reporting none for export were Jasper, (3) Kossuth, (4)
Webster, (5) and Woodbury. (6)

o. Summary of Iowa hog marketing in 1859. From the re­
ports of the county Agricultural Societies we get a bird's
eye view of Iowa hog marketing in the year 1859. From 7,000
to 10,000 hogs were driven to market from Appanoose County.
(7) The market destination was Keokuk. Some local packing
for home demand was reported. After the home demand of
Blackhawk County was supplied 1,000 hogs were driven to mar­
ket. (8) In Buchanan County no pork was packed for exporta­
tion, but some hogs were driven to Minnesota. (9) Drovers
bought hogs in Dallas County for export. (10) In Fayette
County most surplus hogs were taken to Minnesota, the re­
mainder to Chicago. (11) Johnson County reported hogs mar­
keted at Muscatine, Chicago, and New York. (12) From Mahas­
ka County it was reported that the greater portion of hogs
were sold on foot and driven east for slaughter. (13) From
Monroe County it was reported that most surplus hogs were
driven to Keokuk. (14) It was estimated that between 40,000
and 45,000 hogs were slaughtered at Muscatine. (15)

Ibid. p. 343.
Hogs were driven from Linn County and the greater share went to Burlington. (1) Hogs were driven from Poweshiek County (2) and although Davenport killed 15,000 hogs the previous year a good many live hogs were shipped east from Davenport. (3) From Washington County (4) came the report that 10,000 to 15,000 fat hogs went out of the county annually, and Wayne County (5) indicated that hogs from that section were driven to the river.

By 1859 pork had become the staple product of Iowa. Not less than $1,500,000 had been paid out that fall in Iowa for its hog product. As much more was kept for home consumption. (6)

"Visit our river and railroad towns in the hog season, and you hear little else talked of on change than hogs. Go into the streets, and you see hogs; examine a railroad train, and you find the principal amount of freight and passengers to be hogs. Muscatine and Keokuk, two towns of less than one-sixth the population of Cincinnati, the 'Porkopolis of the West', have passed this year one-fourth the number of hogs which that renowned city has put up. The most obvious and ready means of converting our corn into cash, is by turning it into pork." (7)

This development in Iowa came before railroads influenced the direction of the flow of hogs to market to any great extent.

Number Hogs Packed up to Jan. 1, 1859, in Present Season on Mississippi River Points. Has been Prepared with Care and is Very Near the Truth. (1)

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<tbody>
<tr>
<td>Keokuk</td>
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<td>53,600</td>
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<td>Muscatine</td>
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<td>47,400</td>
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<td>Burlington</td>
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<td>31,982</td>
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<td>Davenport</td>
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<td>Dubuque</td>
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In 1860 we find continued evidence of wide market distribution for Iowa hogs. Cedar County (2) reported most of its pork was packed at Muscatine, and from Black Hawk County (3) came the prophetic forecast, "The Cedar Valley will in a few years be the largest pork and beef products district in the middle west." A packing industry developed at Bloomfield, (4) and it is interesting to note, however, that two-thirds of the fat hogs were driven to the river "owing to our want of water carriage for taking our product to market." Guthrie County (5) reported few hogs were slaughtered except for home consumption and that they were driven out and slaughtered in Mississippi River towns. Iowa County (6) generally took its hogs to Iowa City for packing. From Jefferson County (7) came the information that "thousands of dollars were saved to the county by taking their surplus product to market by railroad instead of driving to Burlington." While there was a packing plant at Iowa City in Johnson County (8) it is remarked that

(1). Ibid. p. 12.
Des Moines, Iowa. 1860.
while "hogs are raised pretty extensively here, they are not slaughtered for export in this county but taken from here to Muscatine and Chicago." Lee County (1) reported that Keokuk was the principal market for hogs in the county. From Madison County (2) came the report that most of the hogs were driven to market, and from Mahaska (3) it was stated that most of the hogs were generally purchased by eastern buyers and driven away on foot. Poweshiek (4) reported that hogs were generally driven to market.

6. The Civil War and changing markets.

The Civil War period ushered in a new market for Iowa hogs. With the closing of the Mississippi River by hostile armies the southern market was cut off and hogs had to seek a market by rail.

The Secretary of the Iowa State Agricultural Society was unable to report the number of hogs packed at Council Bluffs, Des Moines, and Oskaloosa for the year 1862. He pointed out, however, that a vast number of hogs and cattle raised in western Iowa was driven west and found the way to market through the greater cities on the Missouri River. (5) Adair County (6) reported that it was sending hogs to Eddyville and thence to Chicago for market. Very few were slaughtered at home for market and a few were killed for the Denver market.

In 1862 about 7,000 hogs were shipped to Chicago from Cedar Falls. (1) In Page County (2) hogs were driven south and east.

Adams County (3) in 1864 reported that thousands of hogs were sent to eastern markets the previous year. It was pointed out in the report that they were so far from the railroads that many were producing fewer hogs and more cattle and sheep. Clinton County (4) reported hogs marketed in Chicago and Clayton County (5) reported hogs marketed at McGregor, Milwaukee, and Chicago. From Dubuque County (6) hogs were marketed at Dubuque and three-fourths of all bought there were shipped to Chicago.

From these reports it is evident that even at that early day no one market had a monopoly on the hogs purchased in Iowa. Already choice of market had developed. Even while Iowa County sent hogs to Iowa City in Johnson County a part of Johnson County hogs were passing up Iowa City and sending hogs to Mississippi River markets.

7. The westward movement of packing plants in Iowa.

The decade of the 60's marked a real change in methods of marketing hogs. During the 50's the railroads had pushed west from Chicago. This tapping of an area which had been producing hogs accelerated the growth of Chicago as a hog market.

Slaughtering had been done as early as 1827, "when Archibald Clybourn erected the first slaughter house for the special purpose of supplying the garrison then at Fort Dearborn. But little, however, was done beyond the immediate consumption until in 1833, when the tide of emigration set westward quite strongly, creating a larger demand, and in such shape that it could be transported. During the fall of 1835 Mr. Clybourn packed about 3,000 hogs, besides considerable beef, for which a ready market was at hand. To obtain this stock it had to be picked up at long distances from Chicago, and was driven on foot to the city. About this time other enterprising men commenced to pack both pork and beef, the surplus of which found a market at the east.

Each succeeding year added more firms to this branch of business. The slaughter-houses were principally located upon the south branch of the Chicago River, it affording a sewer into which the offal and filth were poured freely, which with the great increase of labor years, has proved such a nuisance, and caused an edict to go out from the city fathers that it should be used as such no longer. Many of these houses are so located that vessels can be laid alongside of the docks, and shipments made without any extra handling of the stock when ready for market, they also have tracks connecting with all the principal railroads, so that hogs can be delivered at their doors. There are fifty-eight different establishments in Chicago doing a general packing business this summer." (1)

During the early sixties Dubuque was an important forwarding market. The Dubuque Herald dated November 4, 1860, reported that the lack of capital was stopping Dubuque as a packing center. The same publication of December 18, 1860, lamented the fact that most of the live hogs from that territory were being taken to Chicago instead of being cut up in Dubuque. It was considered a loss to the city that it did not have the advantage of a prominent pork packing establishment. (2)

In 1861 and 1862, 8,015 hogs were packed in Dubuque; in 1862 and 1863, 13,285. In 1870-1871, 67,000 head of hogs were packed. (1)

a. Des Moines. Des Moines became a packing center in 1860. The season of 1862-63 found Des Moines packing about 3,500 head of hogs of which two-thirds were hauled to Ottumwa, Victor, and Marshalltown, western terminal points of three railroads respectively. The first regular packing house was built in 1863. It was not extensive and was intended only for slaughtering and dressing, preparatory to hauling to the packers. The points for exportation by shipment on railroads were Grinnell and Marshalltown. This plant packed as high as 32,000 head of hogs in the period between 1867-76. (1)

b. Marshalltown. Marshalltown had one packer in 1867. Some English capital started a pork packing business in 1882 which flourished for a few years largely because of the privilege of special rates on their product to Scotland. When two-thirds of their packing house was destroyed by fire in 1891 operations discontinued and other markets took the hogs away from Marshalltown. (1)

c. Cedar Rapids. In 1856 The Cedar Rapids Voice advocated the need for a pork packing establishment at Cedar Rapids if the city was ever to be a commercial center.

Cedar Rapids emerged as a packing center in the winter of 1871-72 when T. N. Sinclair of Belfast, Ireland, an operator in New York for nine years, opened a plant there. His cousin and partner, John Sinclair, remained in New York to attend to the financial and shipping end of the business. The reason he gave for locating in that section was that it was a favorable place in the center of the corn belt and hog producing section of the country. The plant developed rapidly on the basis of an export concern particularly catering to the British business. This has always been a large element in the operation of the firm's business. (1)

The T. N. Sinclair Company was known as the fifth largest summer packing house in the United States. It did a business of a million dollars a year and the bulk of its products was shipped direct to Europe. Its sugar-cured hams and mess pork had an enviable reputation. The company employed 500 hands, and thus Cedar Rapids became an important market for Iowa hogs. (2)

d. Davenport-The Kohrs Packing Company. In 1871 the Kohrs Packing Company was established at Davenport, Iowa. This organization is in business at the present time. (1933)

e. Iowa City. The first Iowa City packing house was operated by a merchant and packer who bought hogs in the winter. The meat was cured and sent to St. Louis in the spring on flat boats which were poled down the river. When the railroad came the packing house lost its prestige, the live hogs being shipped to Chicago for slaughter then. Consequently in 1880 Iowa City business men became concerned and began to look about for a daring business man to establish a new plant. The plant then organized operated for some years and in 1883 was packing about 500 hogs per day. (1)

f. Elkader. In 1875 Elkader in Clayton County was an important center for the shipment of dressed hogs. This plant suffered from lack of capital to push operations further and was eclipsed by Dubuque, St. Paul, Milwaukee, and Chicago. (1)

g. Ottumwa - The John morrell Company. In 1827 The John Morrell Company was founded in Bradford Yorkshire, England. Its localized business early attained a high reputation for delicacy and flavor of its meat in that country. Local English and Irish supplies having proven inadequate to meet the increasing demand for Morrell meats they turned in 1864 to American plants, which were first established in Canada (London 1868), then Chicago (1871), and in 1877 operations

were begun at Ottumwa. Two pork packing establishments were already in business before the establishment of the Morrell Company at Ottumwa. From November 1, 1874 to March 1, 1875, these two packers employed eighty men annually, packed 35,000 hogs and did a $500,000 business.

In 1877 the old Ladd Packing Plant at Ottumwa was leased and operations began. The history of the company has been uneventful since then. The other plants owned were soon sold and the business concentrated at Ottumwa.

The business is a family organization, some of the Morrells acting in sales capacities on export markets to which the company ships its products and the rest managing the production end of the business. The effort of the company has been to remain strongly centralized and to cater to export demand.

The excellent markets afforded in this country have caused a change in this attitude. During the past few years, branch houses, one additional house in South Dakota, and greater attention to demand in the United States have featured Morrell development.

h. Waterloo - The Rath Packing Company. George Rath and Sons were packers in Dubuque until 1891 when their plant burned. After moving to Waterloo the Company was organized

in 1891 with a capital of $25,000 which in 1903 increased to $100,000. At that time it employed forty men and the value of the output for 1903 exceeded $500,000. (1)

The Rath plant had been in operation in Dubuque before the Civil War; the new plant at Waterloo employed fifteen people the first year and killed 10,000 hogs. (2)

The company now has branch houses at Des Moines, Iowa; Galesburg, Illinois; Memphis, Tennessee; and Birmingham, Alabama, an office and selling agency in Chicago, and selling agencies in all large cities in the East. (3)

Hogs are purchased within a radius of 150 miles and many are delivered in trucks and wagons by the farmers themselves who are paid in cash for the livestock and are thus enabled to do extensive local purchasing before returning home. By obtaining fine animals and through superb methods of curing their meats the company has earned for itself success in the best markets. Each brand has local significance. The Black Hawk brand, served in the foremost hotels and clubs of the East, bears its own county name. The Waterloo brand is also an extensive seller, and the Cedar Valley brand name is used on export goods and is registered in all foreign countries. The British Government Ministry of Food

stated that Rath products are the highest class of any coming into that territory. Both export and domestic trade are growing rapidly. (1)

Rath products are distributed nationally as well as internationally. The following countries are among those which receive shipments from Waterloo: England, Germany, Holland, Belgium, France, Italy, Netherlands, Finland, Porto Rico, Cuba, and Mexico. (2)

1. Mason City - Jacob E. Decker and Sons Company. The story of The Decker Company like that of Sinclair, Morrell, and Rath is a story of the westward movement of the packing industry. So rapidly did the hog population of Iowa increase that it came to the notice of packers in other sections and enticed them to move into the state. They established what have since become important packing plants.

Jacob E. Decker, the founder of the business in the United States, was born in Prussia in 1849, coming to America in 1852. His father located at Buffalo, New York and established a pork packing and butchering business there, which is now managed by his brothers. Jacob Decker was a driver on the towpath of the Erie Canal when he was twelve years old. He ran away from home and sailed on the Great

Lakes and ocean for a time. During closed navigation on the lakes he worked in packing houses. When he worked for Swift and Company in the seventies they did not handle over two carloads of cattle a day and when he was with Armour and Company they considered the butchering of 480 head of cattle a day large output for Chicago. (1)

He continued to sail on the Great Lakes during the summer seasons for a period of seventeen years, obtaining a thorough knowledge of the business. In 1873 he began independent operations as a provision dealer in Chicago. He began the slaughtering of hogs and increased the scope of his operations as his capital justified. He developed his Chicago plant until it had a capacity for handling 500 hogs and 100 cattle daily. He disposed of his Chicago interests in 1897 and two years later came to Mason City to establish a packing plant to provide a business opportunity for his sons. The Richards Packing Company was taken over July 4, 1899, at a rent of $50 a month with an option to buy it within a year for $6,000. The Deckers, three of them, operated in a small way and the first year did most of the work themselves. At the end of the year they bought land and property and established themselves definitely in 1900. (1)

In 1925 540,000 hogs were slaughtered and in 1927 590,000. Branch houses are maintained in Minneapolis, Dallas, Texarkana, Houston, Tyler, San Antonio, Beaumont, Texas and Little Rock, Arkansas. (1)

Many foreign countries use Decker's meats. Of the total cars shipped during 1927, 823 went to branch houses and points in local territory and the east and south received 2,991 finished cars of product. (2)

In 1928 the company merged with the Goebel and Company of New York, thereby changing the character of the organization from local to national.

J. Council Bluffs. Council Bluffs was a pork packing town and became a "feed-in-transit" point for cattle shipped from Ogallala, Nebraska, on the Union Pacific Railroad en-route to Chicago. In 1884 several prominent western stock raisers and Omaha business men, conceived the idea of moving the feed yard then located at the eastern terminal of the Union Pacific from the east side to the west side of the Missouri River. The Union Stockyards Company of Omaha (Limited) was organized, and a new stockyard was built at South Omaha. Later it was thought advisable to establish killing plants and the first Omaha packing plant was con-

(1). Mason City Globe Gazette, June 16, 1928.
Lewis Publishing Company. Chicago. No Date.
structed by the Stockyards Company its operation was placed in the hands of the G. H. Hammond Company. (1)

The development of the livestock industry in the territory west of Omaha continued as a factor in the westward expansion of the country. Council Bluffs became the eastern terminal of the Union Pacific Railroad and the feeding-in-transit of livestock was begun at Council Bluffs. After some rivalry between Council Bluffs and Omaha, the terminal yards were finally established on the west side of the Missouri River. Iowa railways began to establish the same rates between the East and Council Bluffs and Omaha so that it cost no more for the shipment of meat products from Omaha than from Council Bluffs. (2)

k. Smaller plants. In recent years a few small plants have been built at such points as Albia, Ft. Dodge and Perry. They are not to be classified as being of great importance in the Iowa hog trade although the location of a small plant in Ft. Dodge may be the forerunner of increased packing activity in that section.

(1) Omaha Livestock Exchange. The Buckle on the Cimn Belt. pamphlet supplied the writer. No date.
(2) Savage, James W., and Bell, John T. History of Omaha, Nebraska, and Butterfield, Consul W. History of South Omaha. p. 596. Munsell and Co. New York and Chicago. 1894.
8. The relation of the Iowa packing industry to direct marketing.

Prior to the establishment of the Union Stockyards at Chicago in 1865 all Iowa hogs were marketed direct. All Iowa plants are located away from terminal markets with the exception of those at Sioux City. By compiling the data which give the number killed at interior Iowa plants we have a measure of the volume of hogs sold direct. Certain limitations present themselves. We do not have a comprehensive record of the number purchased at concentration yards before 1920 but we know there was some movement through that type of market at least as early as 1890. On the other hand the interior plants may have purchased hogs at the terminals and forwarded them to their plants for slaughter. It is quite likely that the volume was small. The plants were started in a modest way and local hogs purchased as needed.

The Morrell plant received hogs direct from farmers and shippers since the building of the Ottumwa house in 1877. Evidence of that fact is a statement of the general manager made in 1924.

"Our method of buying livestock at both plants has been the same", he said, "buying direct from farmers and shippers, also cooperative shipping associations. Most of our livestock is purchased in our own stockyards, weighed and priced on day of arrival. We have followed this method of buying at Ottumwa, Iowa, since our plant there was established in 1877, 48 years ago, and have followed this
method at Sioux Falls, South Dakota, since our plant was established there in 1909, 14 years ago.

"There is no posted public stockyards at Ottumwa, Iowa, nor has there ever been one there. A posted public stockyards began operations in Sioux Falls, South Dakota, in September, 1918, (8 years after we began operation), and is located across the street from our property." (1)

Direct buying has been the policy of the Decker plant since its establishment, as evidenced by the following statement made by its president in 1928:

"When we first started and when the business was small, nearly all the hogs we purchased were delivered to us by wagon by the farmers. As the business increased, we purchased in car lots from nearby shippers and in the last few years the marketing of live hogs has increased, so that we now get a part of our livestock delivered to us by truck and part in railroad cars. Our method of buying hogs is the same now as it was when we began our business 29 years ago. That is to say, it is all done by direct buying. The only difference, if it can be termed a difference, is in the physical method of delivering the livestock to our plant; but the system is the same as it always was. No one has ever questioned our right to buy in this manner. We maintain an open market for all who have livestock to sell. That is to say, we buy from the producer, we buy from the livestock shipper, and we buy from the cooperative livestock shipping associations. We treat all of them alike. We do not restrict our buying to any one community or to any one shipper, but will buy from anybody who has livestock for sale. (2)

"The Decker products are shipped all over the country: down into Texas and all through the South and East." (3)

Further evidence that many counties relied in part or in whole upon local markets in 1890 appears in the reports of county and district agricultural societies. Examination

of ninety-eight reports shows that sixteen markets were mentioned as hog outlets, of which nine were direct and seven terminal. Direct outlets were mentioned fifty times or slightly over thirty per cent of the total. Such markets as Cedar Rapids, Ottumwa, Keokuk, Boone, Dubuque, Marshalltown, Des Moines, Boston, and Burlington constituted the direct marketing points while Chicago, Omaha, Sioux City, Milwaukee, Peoria, Kansas City, and St. Paul made up the selection of terminals. (1)

In recent years about 90 per cent of the hogs bought by interior Iowa packers came from Iowa. (2)

The Kohrs Packing Company, located at Davenport, "buy most all their hogs in Iowa." (3)

In addition to the Iowa plants receiving hogs plants were being established at interior points in Minnesota and Nebraska and they undoubtedly drew some hogs from neighboring Iowa counties.

The total number of hogs killed by interior Iowa Packers is, therefore, a conservative measure of the volume of direct marketing. Should further data be uncovered in the future the volume will be increased by the additional information. The assembled data on Iowa hog slaughter has been compiled from the most authentic and official sources available. The

(3). Ibid. p.23.
United States Patent Office Reports were examined for information concerning the earlier years. Later data were found in some of the annual reports of the Iowa Agricultural Society, the annual reports of the New York Produce Exchange and of the Chicago Board of Trade, the yearbooks of the Price Current Grain Reporter and the United States Department of Agriculture reports.

The number of hogs on Iowa farms January 1 was secured from the Iowa Agricultural Experiment Station for the period since 1864. The percentage of the number of hogs on farms January 1, which is represented by the total hog pack, is used as the proportion of direct sales.

In 1864 only 19.79 per cent of the total number was packed in Iowa while in 1865 the percentage dropped to 12.43. This means that prior to the establishment of the Union Stockyards at Chicago a large percentage of Iowa hogs went to the several markets in Chicago as well as to markets outside the state. The percentage of directs declined and not until a decade later, 1875, was as high a percentage again reached. The establishment of Kohrs, Sinclair, and Morrell plants in the 70's resulted in increased Iowa hog slaughter and the peak was reached in 1880 when 23.69 per cent of the hogs was slaughtered by Iowa packers. In 1881 the percentage was 23.33 while in the following year the figure dropped to 11.29 per cent. The number of hogs packed
declined only 21,000 from the preceding year. It should be noted that the number of hogs practically doubled in one year advancing from 2,778,000 to 5,552,000 during the twelve months. When we study the number of hogs packed we find the figures more constant with a tendency toward gradual expansion. This means that the interior plants had a fairly stable volume of business and the rapid increase in the number of hogs in the state meant more of a surplus for the terminal markets. The hogs which the interior plants did not buy went to terminal markets. This can be partly explained by the westward movement of hog population in the state and the lack of a nearby market. Once the hogs were placed on the train they went to Chicago about as easily as to a local Iowa packer. There is some evidence that hogs going to Chicago were given special privileges and freight rate cutting during that period no doubt had some bearing upon the market destination of Iowa hogs.

Two letters written in 1879 give evidence on that point. A Mr. John T. Stewart, of Council Bluffs, complained that the

"rate on live stock remained the same while other classes of freight had been reduced . . . . . the present high tariff makes it difficult for packers in the state to draw hogs more than 15 to 40 miles. Product from this point, for instance, being 26 cents to Chicago, and from Atchison, Kansas, about 15 cents per 100 pounds to Chicago." (1)
The answer made by the general manager of the Chicago and Northwestern Railroad to his complaint was that, "Our company has no ambition whatever to operate its line under the ruinous rates now charged by the Chicago and St. Louis lines, who are in competition for the business of Kansas."(1)

The steady increase in volume of hogs marketed direct since the turn of the present century is due partly to the expanded volume of established packers and partly to the building of new plants. The data for the thirteen years ending December, 1932, have been carefully compiled by the United States Department of Agriculture. Chart I presents in graphic form the data which have been thus compiled. The data available covering the years from 1848 to 1925 are the series compiled by the writer. The close correspondence between this series from 1920 to 1925 and that compiled independently by the United States Department of Agriculture is noteworthy. Since 1925 the trade reports have been discontinued. The difference between the two series of data is partly accounted for by the fact that the government data are based on the calendar year and the writer's data on the packing year.

(1). Ibid. p. 27.
Number of Iowa Hogs Packed Locally
A. Trade Data
B. U.S.D.A. Data

Per Cent Iowa Hogs Packed Locally
A. Trade Data
B. U.S.D.A. Data

Chart I. Interior Iowa Hog Slaughter. 1847-1932.

Supporting data in Appendices B, C, and E.
INTERIOR IOWA HOG SLAUGHTER, 1847-1932.

SUPPORTING DATA IN APPENDICES B, C, and E.
The rapid increase in direct marketing since 1920 has been phenomenal. It is not surprising that many authorities who have had access to current data only have assumed that a new method has suddenly developed. This "new method of marketing" is not new but is merely an expansion of a system which has been used since the first Iowa hogs went to market.

Competition between markets for Iowa hogs developed at an early date. In the early sixties at least one county, Johnson, used as many as four different outside market outlets. Map XIII indicates the county origin and the number of markets used. May XIV shows the situation in 1890. In both maps the counties from which reports are not available are shown in blank. B. B. Derrick has two maps which indicate competition for Iowa hogs in 1927. These maps show trends but are inaccurate as to the intensity of competition. (1) The counties of Story, Boone, and Greene are shown to have had seven concentration points each whereas in the accepted use of the term, Iowa had only one such point in operation. If local shipping points were used the count is incomplete. The best evidence of competition at the present time will be shown in a later chapter in connection with the location of different types of markets.

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The evidence submitted clearly shows that direct marketing has been a vital factor in the disposal of Iowa hogs at all times. It has been more vital during some periods than others but even in the decade following the Civil War the practice persisted in spite of the spectacular growth of the terminal market at Chicago. The growth has been steady, almost unnoticed at times, until in 1932 65.8 per cent went to market the direct route.
MAP XIII. COMPETITION FOR IOWA HOGS IN EARLY SIXTIES.
III. COMPETITION FOR IOWA HOGS IN EARLY SIXTIES.
MAP XIV. COMPETITION FOR IOWA HOG IN 1890.
Competition for Iowa hog in 1890.
C. The Effect of Transportation upon Direct Marketing.

1. General factors studied.

The organization for the marketing of hogs is largely an outgrowth of the development of transportation facilities which makes it possible to transport hogs from the area in which they are produced, the corn belt, to the regions of dense human population in eastern and northeastern United States. The history of the United States is one of gradual widening of market areas accompanied by increased division of labor. Adam Smith's dictum that division of labor is limited by the extent of the market is borne out in the location of livestock markets and the area tributary thereto. The extent of the market is limited by transportation and justifies Macaulay's famous statement, "Of all inventions, the alphabet and the printing press alone excepted, those inventions such as abridge distance have done the most for the civilization of our species. Every improvement in the means of locomotion benefits mankind morally and intellectually as well as materially, and not only facilitates the interchange of the various productions of nature and art, but tends to remove national and provincial antipathies, and bind together all branches of the great human family." (1)

a. Transportation facilities dominate market organization. The term, "organization for marketing hogs," is here used to mean the succession of agencies through which the sale and physical distribution of hogs is effected.

It is a trite saying of market authorities that whereas the producer formerly dealt direct with the consumer and often does so today, yet most products of general consumption follow a line of movement which routes them through several intermediaries.

The hog marketing system is to a large degree weak or strong depending upon the efficiency of the transportation methods used by the various agencies taking part in the marketing of hogs.

When the Iowa settlers first produced a surplus of hogs, droving was the only method of getting live hogs to the packing houses located on the Mississippi River. Droving hogs long distances did not develop as it did in the case of cattle. This was partly due to the fact that pork could be packed in salt and the cured product moved more efficiently than could beef. Establishment of plants close to the source of hog supply became necessary and until the invention of the refrigerator car fresh pork products did not enter into long distance transportation except in the winter months.

b. Low cost transportation essential for effective development. Low transportation costs are essential for the wide distribution of any product. It is possible that the cost of transportation may make it prohibitive to ship to another region an article produced in a region of low cost
transportation. The latter region, when protected by high transportation costs, could produce the products for their own use just as cheaply.

2. Physical factors considered.

a. River markets developed in the early day. The location of the principal rivers determined the sites upon which early packing plants were built. The strategic location of Cincinnati on the Ohio River and Keokuk, Burlington, Davenport, and Dubuque on the Mississippi River are cases in point. The only practical route of marketing hogs in great numbers before the construction of the railroads was to ship them down the Mississippi River to the markets at St. Louis or New Orleans. The fact that river transportation was slow hindered the shipment of live hogs and encouraged the slaughtering of the hogs at various points on the river. The cured product could then be floated on barges in a leisurely manner. The Iowa farmer sold his hogs direct to the slaughtering houses as long as they were located nearby.

b. Drovers became the first method of transportation. The only "turnpike" which appears to be mentioned in Iowa history was made use of by drovers taking their hogs to market or at least it was expected by the owners of the pike that it would be used by those droving hogs to market. We find in "An Act Incorporating the Burlington and Iowa River Turnpike Company" that "Toll rates were prescribed
for various traffic, that for hogs being one cent per head
for each and every ten miles." (1)

During the late fifties and early sixties a larger
number of hogs was marketed on foot to nearby markets and
were usually transported from the nearest railroad station
to the great packing centers of the country.

"A common way with railroad men was to prepare cars with
double decks, one above the other, and thus providing for 50
to 75 hogs. This seems a more humane way than to crowd as
many as would be necessary in one tier to load a car. In the
height of the hog season, in Chicago, in the neighborhood of
the yards, it would sometimes seem as though we had almost got
into a 'hog heaven,' for turn which way you will, in the cars,
in the yards, in the streets, all is hog, hog, and their cow-
ardly pointed heads always turned earthward, running, grunting,
squealing, and all showing a disposition to travel any way but
the direction wanted." (2)

e. Railroads supplant waterways. The influence of the
railroads on the hog market organization in Iowa made itself
felt immediately upon completion of their tracks to the state.
The live hogs could then be easily shipped great distances
and as facilities for unloading and feeding became avail-
able regular routes to distant markets were established.
Less time was consumed in shipping hogs to market by rail-
road than by river transportation and the more distant mar-
kets developed a clientele of patrons.

(1). Van der Zee, Jacob. The Roads and Highways of Territorial
Des Moines, Iowa. 1863.
Terminal market developed at Chicago. The city of Chicago, founded at the lower tip of Lake Michigan and located in the most strategic point in the corn belt for the development of large livestock market, became Iowa's largest single outlet for hogs. The broad prairies of western Illinois, Iowa, and other states to the north and west of Chicago soon became traversed by railroads practically all of which had their terminal in Chicago. A number of markets was established at Chicago in the process of receiving and reshipping hogs.

Chicago had been connected with the cities in the south and east by railroad prior to the Civil War. In 1861 when the Civil War opened hostilities soon cut off the southern markets. Evidence of that fact appears in the following excerpt from official sources:

"Upon the closing of the Mississippi River all our products had to seek a market by railroad to the eastern seaboard; and every cent of advance in the Atlantic cities upon the products of the northwest, was at once covered by increased tariff of charges on these roads, until now, freights are from 30 to 40 per cent higher than before." (1)

The opening of the markets of the south and east after the Civil War made it possible for the Iowa hog feeder to ship his hogs to Chicago where they were slaughtered and shipped to the consuming centers. The river routes no longer determined the direction of shipment for railroads were built in every direction and reached inland markets.

(1). Ibid. p. 7.
103.

heretofore inaccessible by land and water route. As the various railroads entered Chicago there naturally developed a number of livestock markets about the city.

(1). Volume attracted to the Chicago market.

Even before the Civil War those markets handled a large volume of hogs as the table below shows:

Table No. 1.

Pork trade of Chicago. (1)

<table>
<thead>
<tr>
<th>Years</th>
<th>Received</th>
<th>Forwarded</th>
<th>Years</th>
<th>Packed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1858</td>
<td>540,486</td>
<td>192,013</td>
<td>1858-59</td>
<td>179,684</td>
</tr>
<tr>
<td>1859</td>
<td>271,204</td>
<td>110,246</td>
<td>1859-60</td>
<td>151,339</td>
</tr>
<tr>
<td>1860</td>
<td>392,864</td>
<td>227,164</td>
<td>1860-61</td>
<td>271,805</td>
</tr>
<tr>
<td>1861</td>
<td>675,902</td>
<td>289,094</td>
<td>1861-62</td>
<td>505,691</td>
</tr>
<tr>
<td>1862</td>
<td>1,548,890</td>
<td>491,135</td>
<td>1862-63</td>
<td>970,264</td>
</tr>
<tr>
<td>1863</td>
<td>1,677,757</td>
<td>856,485</td>
<td>1863-64</td>
<td>904,659</td>
</tr>
</tbody>
</table>

"During one single day in the season, 1862-1863, the astonishing number of 122,825 hogs was received in Chicago." (2) That was a larger number of hogs received than on December 15, 1924, when 122,749 head were received, a record run up to that date for the Union stockyards at Chicago. (3)

(2). Ibid. p. 204.
At that time few hogs were driven any great distance on foot for market. Much the larger portion of the hogs received alive in Chicago was slaughtered there, while many of the better lots found an eastern market, were shipped in cars over the three great routes—the Michigan Central, Michigan Southern, and the Pittsburg, Fort Wayne, and Chicago Railroads. (1)

Bull's Head market had been established in Chicago in 1848. The establishment of five other markets followed. Lack of railway connections between the markets interfered with shipments and the scattered location of the yards proved a general inconvenience.

This state of affairs existed until 1865 when a number of railroad officials organized the Union Stock Yard and Transit Company as a matter of economy in transportation. This market became and has since remained the largest livestock market in the world. It is also the largest hog market.

The word "Transit" in the charter is significant. The charter which the legislature of Illinois granted to the new corporation provided for the original capital stock to be $1,000,000.00. It may be remarked that $975,000.00 of that amount was owned by railroads whose lines terminated at Chicago. (2).

(2). 7 I. C. C. 521-524.
105.

The railroad companies made no charge other than the regular published rate to Chicago for transporting cars of livestock to the Union stockyards until June 1, 1894. (1) Here is an example of a shift in demand conditions. With the building up of a large stockyard organization the railroads were able to charge for a service which they had inaugurated as a means of reducing their own transportation costs.

(2). Specialized services introduced. While a grower could bring his livestock to the market and offer it for sale himself he usually consigned it to a commission firm which specialized in selling. Information as to prices was not generally available to the farmer and the lack of acquaintance with the buyers at the market almost compelled him to employ expert selling services in order to net the high dollar. This service grew up at Chicago as the result of a need for someone at the market who was familiar with market outlets. The commission man, then as now, acted as an agent for the shipper in the buying or selling of livestock. He cared for the stock, did such sorting as was necessary, sold on the open market to the highest bidder, collected the money from the purchaser, and remitted the balance to the shipper. For these services he received a fixed commission.

The stockyards company made a charge for unloading and

(1). 7 I. C. C. 515-516.
storing the livestock in pens. The revenue derived from this and auxiliary services constituted the income of the stockyards company. This was the beginning of the development of what has since become the largest single organization handling livestock at one point. (1)

After the consolidation of markets and the advent of specialized services at the Chicago market direct marketing declined in its relative importance in Iowa. The hog population in the sixties and seventies was still well centered in the eastern half of the state and was attracted to Chicago in large numbers. The rapid growth of the City of Chicago coupled with the fact that refrigeration had not yet been perfected encouraged the shipment of hogs to that market. Its rapid growth was an outstanding achievement in the concentration of hog slaughter.

During the next decade direct marketing faced severe competition. In the same decade new plants were established in Iowa. In 1877 the Morrell plant at Ottumwa came into the picture. The increase in Iowa hog population brought the latter plant to the state and resulted in the closing of the Chicago plant of the firm. The railroads were being pushed westward across the state during that decade and enterprising butchers were able to sell surplus meat and lard.

(1). 7 I.C.C. 523.
As will be indicated later in the chapter, rates on meat to Chicago were less per hundred pounds than those on live hogs. That aided the small plants in getting started in business and as they drew hogs from the local areas the volume of direct marketing grew. The growth was not easy. The railroads were competing for the long haul of hogs to Chicago and, intentionally or not, were aiding the development of the Chicago market. An Iowa shipper claimed that he could pay twenty-five cents more for hogs if he had the same service to Council Bluffs as to Chicago but with the rates and services established by the railroads he could only pay two dollars for hogs going to Chicago instead of two dollars and twenty-five cents. (1)

It will be remembered that the Interstate Commerce Commission Act had not yet been passed.

3. Economic factors analyzed.
   a. Concentration and transit privileges. While new packing plants were being established by packers from the East other eastern packers were going into the country and buying hogs and shipping them to their eastern plants. That system of hog buying persisted to the present time and since it has maintained itself alongside the terminal marketing system we shall examine its development during the decades when terminal marketing held the important place in the system of

marketing.

The senior member of the firm of Robert Shiel and Company began a system in the early sixties which became known in the corn belt as "from farmer to packing house system of buying hogs." Operations began about 1863 and were directed from an office in Indianapolis. Hogs were purchased in Illinois, Indiana, and neighboring states and shipped directly to eastern points. (1)

After a study of some present day freight tariffs which permit this method of operation, we shall return to a study of some of the experiences of the Shiel Company at one of its operating points, West Kankakee, Illinois.

Transit privileges are granted to shippers in many lines of business. Hog shippers are among those who may use specified transit privileges. The sorting, grading, and reconsignment of hogs at specific stations intermediate between points of origin and destination, are permitted under a tariff which protects the through rate and results in reduction of the transportation cost. Were such privileges not granted it would be necessary to pay the local freight rate from the point of origin to the concentration station. The sum of the two local rates, that is, from point of origin to concentration station and thence to d

(1). 12 I.C.C. 211.
final destination, would always be greater than the one rate from point of origin to final destination. Many of the concentration stations in Iowa have been located on the edge of a "postage stamp rate zone." This term means that all stations in a particular zone pay the same rate to a specified destination.

In addition to privileges in reconsignments of hogs provision is made in the tariff for sorting hogs and re-shipments to specified markets. When that is done in accordance with tariff authority the through rate from point of origin to destination is protected. Were it not for that privilege local rates would be charged from point of origin to the concentration station and, when the hogs were sorted, a new consignment would be made up and the rate from such a concentration point to the ultimate destination would prevail. Of course, the combination of the two rates would be higher than the through rate.

b. Transit tariffs examined.

(1). Provisions of typical tariffs. Railroad tariffs must specify the privileges and conditions incident to their use by the shipping public.

Three items of a tariff affecting that number of stations in Iowa indicate that even with published schedules questions may arise as to the equality of privileges allowed in the same territory. Three sample items clearly illus-
trait this fact.

"Reconsigning of livestock at Humeaton, Iowa. — Shipments of livestock moving between points in which Humeaton, Iowa, is directly intermediate, may be reconsigned at Humeaton, Iowa, on basis of the through rate from point of origin to destination, as per tariffs lawfully on file with the Interstate Commerce Commission, effective on date of original shipment, without charge for reconsigning, provided reconsignment is made within forty-eight hours after time of arrival at Humeaton, Iowa." (1)

"Reconsigning of Live Stock at Ottumwa, Iowa. — Shipments from points west of Ottumwa, Iowa, may be reconsigned from Ottumwa, Iowa, to points east thereof in which Ottumwa, Iowa, is intermediate between point of origin and point of destination, on basis of through rates, as per tariffs lawfully on file with the Interstate Commerce Commission, in effect on date of original shipment, without charge for reconsignent, provided reconsignment is made within forty-eight hours from time of arrival at Ottumwa, Iowa." (2)

"Reconsignment of Live Stock at Burlington, Iowa. — Shipments from points west or north of Burlington, Iowa, may be reconsigned at Burlington, Iowa, to points east or south thereof to which Burlington, Iowa, is intermediate between points of origin and destination, on basis of through rates, as per tariffs lawfully on file with the Interstate Commerce Commission, in effect on date of original shipment, without charge for reconsigning, provided reconsignment is made within forty-eight hours from time of arrival at Burlington, Iowa." (2)

(2). Examples of variation. It will be noted that these items apply to all kinds of livestock. Reconsignment on the basis of through rates from point of origin to destination, effective on date of original shipment, without charge for reconsigning provided reconsignment is made within forty-eight hours after time of arrival

at the stations named. When it comes to the points of origin the situation changes. In the case of Humbeston, Iowa, shipments of livestock moving between points in which Humbeston is directly intermediate may be reconsigned at Humbeston but in the case of Ottumwa shipments must originate at points west of Ottumwa to points east thereof to which Ottumwa is intermediate between point of origin and destination and finally, in the case of Burlington, shipments must originate west and north of Burlington and must be reconsigned east or south thereof, to which Burlington is intermediate between points of origin and destination.

Thus we see that a shipper using the Humbeston point may ship in any direction, whereas the directions are limited in the cases of Ottumwa and Burlington. It is noted that under this tariff nothing is said concerning sorting, grading, filling in, or double decking. As a practical proposition, then, the shipper using the privileges at Ottumwa, Burlington, and Humbeston has been supplied with privileges which, while open to the public, really fit in nicely with certain operations carried on at those points. For example, if the packing plant at Ottumwa receives too much livestock or certain unusable grades it may reconsign to some market east of Ottumwa for disposal.

In the case of another shipping station in the same
general territory of Iowa an entirely different set-up is provided. Item number 550 of the same tariff applies only to "hogs sorted at Creston, Iowa, and reforwarded to points east of the Illinois-Indiana state line." In the second place the hogs must be reforwarded from Creston within ten days after receipt in order to receive the benefit of the through rate from point of origin to destination. Finally, the transit privileges apply only in connection with car load shipments to and from the transit station, and are restricted to those shipments which come from point of origin in which Creston is intermediate to destination, via the direct line. Furthermore, item number 555 specifically permits the sorting of hogs in single decks at Creston, Iowa, and reshipment to Chicago or East St. Louis, Illinois. (1)

A different kind of transit privilege is found in the case of a Chicago and Northwestern tariff which governs concentration of hogs at certain stations on its lines.

This tariff applies to hogs only. The shipper may finish loading, may weigh, rest, feed, water, or sort his hogs. The time for transit privileges is three days from the date of the inbound shipment. (2)

The stations which may use this privilege are specified.

(1). Ibid. p. 25.
That is, no doubt, a means of operating convenience to the railroad. In addition certain specified transit destinations are listed. For example, Boone, Iowa, may receive hogs from Iowa stations on and west of the line, Boone to Havarden, via Maple River Junction, Carnovan and Sioux City. Stations south of Carroll are also included. Transit destination points are listed as Cedar Rapids, Iowa, Chicago, Illinois, Cudahy, Wisconsin, Des Moines, Iowa, and Milwaukee, Wisconsin, East Clinton, Illinois, is also included but applies only to traffic destined to points east of the Illinois-Indiana state line. (1)

A Burlington tariff provides for sorting and consolidating hogs in transit in westward movements and the fact that certain stations were mentioned "when destined to California" indicates that there are movements of livestock from Iowa stations to California. (2)

(3) Advantages in freight saving. We have examined the typical privileges granted. We shall now study the savings in freight under such arrangements and other advantages to be gained.

A table which demonstrates the savings in freight appears in a brief submitted to the Interstate Commerce Commission. These rates had evidently been in force for some

May 29, 1931.
years prior to 1917 for during the year 1916 Swift and Company concentrated 275,000 hogs at Valley Junction, Iowa, and shipped them to eastern plants. (1) Savings on account of through rates from typical points of origin to final destination ranged from 6.3 cents to 15.2 cents per hundred pounds. (2) This meant that a packing plant at Valley Junction or Des Moines (six miles away) would have to pay from 6.3 cents to 13.2 cents per hundred more to get shippers' hogs than would the buyer at Valley Junction who used the transit privileges to ship to plants east of Rock Island, Illinois. It meant also that a shipper who would ship to Valley Junction local freight to a buyer would be charged from 6.3 cents to 13.2 cents freight, whereas if he shipped to a point east of Rock Island the haul to Valley Junction would cost him nothing. The fact that Valley Junction was on the eastern edge of the blanket rate zone made this possible. The same situation existed on hogs moving to eastern markets through Muscatine, Creston, Saverne and Keithsburg, which simply meant that the local rates into and out of the transit points were higher than the through rates applicable to shipments which were sorted and double decked at the transit points under the regulations then in effect. (3)

(2). 47 I. C. C. 386. 
(3). 47 I. C. C. 386.
(4). Grading privileges. The grading and sorting privileges at transit stations permit a variety of market practices. The volume of hogs produced in Iowa make it possible to secure the necessary assortment for such requirements. The seller may sort for different outlets and the national packer buyer may sort for his different plants. Double decking permits the use of a cheaper rate on hogs east of the Illinois-Indiana state line and to other markets where double decking rates are less. Where ten days are allowed certain advantages accrue to the packer. It is possible for him to finish fattening underweight hogs and to fill in the unloaded cars. He is more able to regulate the flow of hogs to his various plants and has a better chance to buy hogs on cheap days. Conversely the seller may hold his hogs and sell on high days. The ten day period is especially valuable since the practice of trucking has been used. Bad roads caused by snow or rain may be improved and small lots of hogs may be bought locally to fill in underloaded cars. Formerly no additional charge was made for hogs stopped at those stations but in a recent decision the Interstate Commerce Commission found "that a charge of $2 per car on each carload of hogs moving out of concentration points that has received the benefit of concentration arrangements will be reasonable"
and should be applied." (1)

(5). Example of use by the Swift interests. The use of transit stations has developed intensively since 1901 when Swift and Company took over the Squire interests. The fact that some of the yards acquired were in a rundown condition suggests that this type of business was at low ebb in the late nineties. During that period two Iowa plants were established which were destined to be important factors later. They were the Decker plant at Mason City and the relocated Rath plant at Waterloo. When Swift and Company acquired the Squire interests it was apparent that the Squire Company was buying some hogs at Valley Junction and Burlington, Iowa. (2) A condensed summary of the relations of the Swift interests to the Squire direct buying yards in Iowa appears in the following letter, dated Chicago, Illinois, May 17, 1916:

Mr. G. P. Swift, Jr.,
Second Floor.
Answering your letter of this date I can not give you definite answer as to what country buying points were being operated exactly ten years ago. The matter is so old that our files showing the information are either destroyed or not available. I will give you a short history of the matter, as I remember it.

The time Mr. E. C. Swift bought Squire I think they were buying some hogs at Valley Junction and Burlington. The stockyards at Valley Junction were very dilapidated and

(1). 176 I. C. C. 121.
the territory from which hogs could be shipped into Valley Junction and sold was very limited, account of the rate adjustment. When we took hold of the traffic end of the Squire Company we had the Rock Island rebuild the stockyards at Valley Junction, at an expense of about $30,000, and we had the rates into Valley Junction adjusted so that they largely increased the territory available for shipment to Valley Junction. At Burlington we had the C. B. & Q. rebuild the yards to some extent, but not nearly as large a job as at Valley Junction.

The first station that we obtained for Squire, in addition to the above two, was Savanna, Ill., on the C. M. & St. P. We made this arrangement and had these stockyards partially rebuilt. I think the next one we made was Muscatine, and we had the Rock Island entirely rebuild the yards, and we also had the rates adjusted so that Muscatine could draw from a large territory. The next station we arranged was Keithsburg, Ill., on the M. & St. L. These yards, as you know, we have struggled with ever since we have been doing business there; but owing to the M. & St. L. being short of money we haven't had as much improvement made in the yards as we wanted to; but they are in a good deal better shape than when Squire started buying there. The next station, and the last one we arranged for, was Clinton, Iowa, on the C. & NW. These yards we had the C. & NW. cover a number of pens and pave the alleys and pens and put in a storage house for grain and for bedding.

We did not discontinue any station when we started Keithsburg.

I can not tell definitely how many more stations we have now than we had ten years ago, but I should guess ten years ago Squire was operating Valley Junction, Burlington, and Savanna. Since that time we have had Muscatine, Keithsburg, and Clinton. So on this basis Squire is operating three more stations now than they were ten years ago.

The department is searching for the old files and Mr. Frederick tells me that he does not think there are any of them in existence; but if I can get more definite information on this subject I will do so and send it up to you later in the day or to-morrow.

ARF-B
Trans. Dept.

P. S.—Please understand that our arrangements for this country buying are not exclusive. Anybody that wants to do so can buy hogs under exactly the same conditions as J. P. Squire & Company can; but so far no one has tried to avail themselves of this privilege. We do not lease the yards, but have certain pens assigned to the use of the Squire people—but with the understanding that if the rest of the
yards are crowded, that these pens assigned to the Squire people may be used by the railroad for the commercial business. (1)

It is significant that Swift and Company came into the state to buy hogs at that time. Morrell and Sinclair were killing over a million hogs annually and new plants were being built. Swift had moved West before and bought hogs direct in competition with local packers.

c. Development of transit privileges. Transit privileges in Iowa and neighboring states have been secured by hog shippers and packers for many years. Certain principles were established in connection with the granting of those privileges. Specific cases have been brought before the Interstate Commerce Commission for decision and out of those cases have come the principles which must be followed in the establishment of transit stations which use the special tariffs at those points.

(1). The Shiel Case. The Shiel system of marketing, "from farmer to packing house," brought before the Interstate Commerce Commission certain issues concerning the installation of a concentration station at West Kankakee, Illinois. Certain rules were formulated in the case which have been applicable ever since.

(a). The facts. In the course of business at West Kankakee single deck cars were received. The hogs had been shipped from various points in Illinois in single deck

cars usually weighing 16,000 pounds. The hogs were unloaded and sometimes fed and watered and reloaded into double deck cars for shipment to eastern points. The smaller lots coming in from farms to West Kankakee were often mixed and were sorted into carloads suitable for the exacting demands of different markets. The demand for hogs at eastern points varied according to latitude so the fat and heavy or medium weight hogs were consigned to northern points like East Cambridge, Massachusetts, and the lean and lighter hogs to southern points like the Virginia Gateways. (1)

The profits expected from those operations amounted to about ten dollars per car or slightly over five cents per hundred pounds. (2)

The firm leased yards from the Indiana, Illinois, and Iowa Railroad Company for a term of five years beginning September, 1903, with an option for an additional term of ten years. Operations began in December of that year. The railroad repaired the stock pens and equipment, erected a forty ton scale along with a suitable scale house and office and made the necessary repairs. It switched to and from the stock pens free of charge all cars which arrived upon its rails and provided for such free transportation as was necessary in the conduct of business. The hog buying firm had

(1). 12 I. C. R. 211-12.
(2). 12 I. C. C. 212.
the use of the yards and pens for unloading, storing, feeding, and watering the livestock. The firm had to promote its business along the railroad line creating the lease and to favor it to the exclusion of competitors. In addition to that contract the two parties executed an ordinary lease and business boomed at West Kankakee for five months. (1)

The tracks of the Indiana, Illinois, and Iowa Railroad Company entered West Kankakee in an east and west direction and intercepted north and south bound tracks of other railroads over whose lines hogs went to Chicago and St. Louis. Paper rates from points of origin on those roads to Eastern points had existed for years but, of course, had never been used at West Kankakee since the hogs went to Chicago or St. Louis. When the Shiel firm began business at that point and started to intercept hogs and rebill them to eastern markets on the protected rate north and south lines saw their revenues diminishing. Those roads increased the rates five cents per hundred and also required that the identity of the hogs which were reshipped be maintained. This double blow would eliminate all opportunity of the ten dollar per car profit and the firm appealed to the Interstate Commerce Commission. The Shiel interests felt that they could still do business with increased rates if they could be allowed the privilege of sorting.

(1). 12 I. C. C. 212.
It developed that regular bills of lading were not used on the inbound shipments but that cars had been delivered and the agent of the stockyards had made the through bills from point of origin to destination. (1) The hog buying company attempted to retain either the old freight rate or the privilege of sorting, or both, in their case before the Commission.

(b). The issues. Three issues were involved in that case. First, whether or not transit privileges must be open to shipping points or shippers on the same terms. Second, whether paper rates could be maintained when business began to move on the so-called paper rates. Finally in what form must the tariffs be published.

The Commission established precedents in the case which must be considered in order to understand what is involved in setting up concentration stations whose operations are based upon the privilege of stopping hogs for sorting and for the protection of through rates from point of origin to destination.

(c). The decision. The Commission ruled,

"The privilege of stopping hogs in transit shipped from western points to the East in order that they may be sorted and reconsigned under the through rate from point of origin can not be enforced against carriers in favor of any single point or shipper in the absence of lawfully established tariffs making such privilege open to the public at

large." (1) "The fact that rates had been in effect for some time does not necessarily mean that they are remunerative to the carrier.

"All privileges accorded on shipments in transit and which affect the value of the service performed must be published in the tariffs." (2)

It is a significant fact that the cancellation of the arrangements at West Kankakee resulted in the abandonment of the business at that point by the Shiel interests. (3)

(2). The National Live Stock Exchange Case. The next important case involving concentration privileges for hogs came before the Interstate Commerce Commission in 1917. The National Livestock Exchange, composed of individual livestock exchanges operating at various public markets of the United States, filed a complaint with the Interstate Commerce Commission charging that transit rules and regulations respecting carload shipments of hogs maintained by certain railroads at various points in Illinois, Iowa, Wisconsin, and Minnesota unjustly discriminated against, and "unduly prejudice complainant's members, patrons, and the public livestock markets" at Chicago and East St. Louis, Denver, Kansas City, St. Louis, St. Joseph, Omaha, Sioux City, Milwaukee, and St. Paul. (4)

(a). The issue. Railroad tariffs provided that at certain stations in Iowa and neighboring states

shipments of live hogs in carloads could be stopped in transit for feeding, watering, sorting, mixing, selling, and double decking, or to finish loading. They also provided for the protection of through rates from points of origin to final destination. The Live Stock Exchange contended that the furnishing of such service meant that its members were subjected to unjust discrimination.

The J. P. Squire and Company, which received a large part of the hogs slaughtered by it at concentration stations in Iowa, intervened. (1)

(b). The facts. To get a clear understanding of the fact involved the Commission went into the history of the origin and growth of the transit or concentration arrangements. It pointed out that the greatest consumption of hog products was in northeastern United States, and the general movement of hogs and hog products came from west to east. The consumption area, being a deficit area, must get supplies from the West. (2)

Between 1880 and 1890 about 25,000 car loads of hogs were sold annually to those packers on the dressed weight basis. The hogs came from Ohio, Indiana, Illinois, and Iowa. The practice eliminated terminal marketing charges which would have accrued had the shipments gone through

terminals. This method of country buying on the dressed weight basis declined rapidly when shippers discovered that hogs which appeared to be sound and wholesome were being condemned. Eastern packers tried buying hogs F.O.B. track, at country points but that method was abandoned when it was found that grading, pricing and weighing by the country shipper resulted in high cost of hogs and heavy shrinkage enroute. The packers found that they had to have a representative on the grounds to price, grade and weigh the hogs before shipment and that resulted in the establishment of concentration yards with attendant transit arrangements in Iowa and other states. (1)

Transit arrangements were not new in 1897. While the first Iowa transit arrangement on hogs under tariff authority was established at Boone in February, 1890, shipments under transit arrangements had been made up to that time without tariff authority. The J. P. Squire and Company had made such shipments from Valley Junction for more than twenty-five years. From North McGregor to Milwaukee, Indianapolis, and Detroit, such shipments had been made for thirty years and an arrangement had been in effect at Savanna for more than thirty years with respect to shipments east of the Mississippi River. (2)

Eastern packers bought hogs in the country because they found fewer condemned hogs. Those bought in Chicago for a number of years showed an average of 1.05 per cent condemned while those bought in the country during the same period showed an average of 57 per cent condemned, or a difference of 48 per cent. (1) The packer contended that by operating close to the source of supply it would be possible to discover and avoid shipping points which showed tuberculosis in hogs. The percentage of condemned animals fell considerably below that of Chicago and other livestock markets where it had been impossible to know at the time of purchase where the hogs originated. (2)

Hogs bought in the country were forwarded and received in less bruised condition than those bought at livestock markets where they were prodded and driven about by employees of the yards for inspection by prospective buyers. (3)

Certain terminal charges estimated to be 11.8 cents per hundred pounds were avoided. An eastern packer claimed that he could buy hogs at transit points for 1.8 cents per hundred pounds. That would save 10 cents per hundred pounds. (4)

Savings on account of the use of double deck cars amounted to 5 cents. (5)

(1). 47 I. C. C. 389.
The National Livestock Exchange contended that "the primary purpose of this complaint is to restore full competition to open markets so as to give shippers thereto the benefit of added competitive buying." (1)

It was also claimed that when a large percentage of hogs was bought for sale on the open markets any system of transit facilities and arrangements which interfered with the free flow of hogs to those markets was bound to have a harmful effect upon producers depending upon that outlet.

The Exchange contended that transit points were favored in that hogs moving through them to ultimate destination could be stopped, sorted, sold and then reforwarded at the through rates from point of origin but if hogs from the same points went through an open market to the destination the privileges would result in a higher freight charge. Those shipments going through the public yards would be charged for minimum weight even though the car did not contain the full amount, whereas those cars using transit privileges and which came under the minimum weight, could be filled in at the transit station with hogs bought locally or from cars loaded over the minimum. The shipper paid no yardage or scale charges at the transit station but this expense had to be borne by hogs which passed through the terminal. (1)

(1). 47 I. C. C. 384.
The decision. The Commission reviewed two rules on the "propriety of the practice of purchasing hogs in the country or or the open markets." It pointed out that "The statute did not confer upon the Commission the power to regulate the purchase and sale of articles.....the transit arrangements, of which complaint is made, have been maintained for a long time, and were originally instituted in response to reasonable demands of shippers for a service alike beneficial to them and the defendants." (1)

"Whether as a commercial proposition it is better that all hogs produced in the region of open markets should be transported there and sold to the exclusion of sales at country points is a matter which has no controlling force as the law now stands in the determination of the issues involved in this case." (2)

The decision which was handed down held that "the evidence fails to show that the rules complained of are unjustly discriminatory, as alleged." The complaints were thereupon dismissed. (3) It was noted that the commission men, complainant's representatives, were not shippers of hogs and that no shipper was produced by the Exchange to testify to the effect upon his interests of transit arrangements maintained by the defendants. (4)

We must conclude that direct marketing through concentration yards was an important factor in hog merchandising in Iowa for many years prior to 1917. The significant fact that the shippers had not complained but the fact that the terminal marketing agencies had prosecuted the case should be kept in mind when we note later attempts

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to regulate or abolish certain privileges in marketing. Up to this time the Commission had laid down the principle of published rates to all and in this case absolved itself from determining which market points should be used in the marketing of hogs. The issue, however, was reopened in the Hoch-Smith Case.

(3). The Hoch-Smith Case.

(a). The facts. In the Interstate Commission Docket No. 17,000, Rate Structure Investigation, Part 9, commonly known as the Hoch-Smith Case, the Commission disposed of the question of transit privileges in the following language, "except that concentration stations are more numerous conditions are no different than they were at the time of the decision in the National Livestock Exchange vs. C. B. & Q. Railroad Company, 47 I. C. C. 380. The same character of evidence and argument as were advanced in that case were submitted in this proceeding."(1)

(b). The issue. In the Hoch-Smith Case the Chicago Livestock Exchange and Chicago Union Stockyards attacked the concentration arrangements and demanded that they be withdrawn or a charge of 8.5 cents per hundred pounds be placed thereon the same as was charged for long time feeding or fattening in transit. Those agencies, however, did not ask for the establishment of arrangements at public markets. (2)

The central western markets argued "that the granting of the arrangements at country points and denial of like

arrangements at their public stockyards results in undue prejudice against those markets." (1)

The decision. The Commission ruled, "It cannot be said that conditions are exactly similar at the respective points, nor has it been shown that if the arrangement of mixing, sorting, and grading hogs in transit were extended to the public markets, the livestock industry would receive a benefit commensurate with the expense and burdensome requirements that such extension would place upon the carriers." (1)

Hogs mixed with other shipments would be difficult to identify or trace as to point of origin.

"They would be received from the various lines of railroad that enter the principal markets and determination of the applicable rates would be impracticable or extremely difficult. Country concentration stations are local to the particular line extending the transit arrangement. A full and complete record of the inbound shipments is in the possession of such line and the applicable rates may be readily ascertained. There was no urgent request made by shippers for concentration arrangements at public markets, and it may be assumed that if so extended such arrangements would be used principally by the traders at such points. No new market would be afforded the producer, and the consequent burden and expense to carriers is considered to be all out of proportion to any benefits that would accrue to the industry. Anyone with the requisite buying power may purchase, mix, sort, and consolidate shipments at concentration points under the same conditions as those now availing themselves of such arrangements. The chutes, pens, scales, and other facilities at such points are owned by the carrier. At public stockyards the carrier has no title to or control over the properties and manifestly could not extend the arrangements upon the same basis. Public stockyards are generally owned by private interests and the sale and generally the purchase of livestock thereat is made by commission men or order buyers at fixed charges which are in addition to other market expenses. The substantially similar circumstances and conditions contemplated by section 5 do not obtain at the country concentration stations and public livestock markets, and no finding of undue prejudice is warranted on this record." (2)

We must remember that some plants are located in cities where there are public markets but are not adjacent to the stockyards. When hogs are purchased for such plants they must be loaded into cars and railed to the plant in the same city. An example is the case of the Omaha Packing Company at Chicago. That plant is located a few miles from the stockyards but hogs bought at the yards have to be reshipped at a cost of about 10 cents per 100 pounds. The function of the terminal stockyards is to furnish storage, feed and water for hogs yet unsold and there would be no object to incurring such an expense which amounts at least to 25 cents per hundred pounds if the order buying fee at the market be included. The cost of country buying amounts to (1) 1.2 cent which leaves approximately 23.8 cents per hundred to cover shrinkage adjustment and to divide between the shipper and the packer.

d. Rate structure.

(1). Raw materials versus finished products.

The freight rate is usually less per pound on raw materials than on the finished product. The finished product is more valuable and can, therefore, bear a higher freight charge. Since an important principle in rate making is to charge what the traffic will bear a higher on the finished goods is expected.

(1). 176 I. C. C. 119.
(2). Early livestock rates an exception. The freight rate on hogs and hog products at one time furnished an unusual exception to the general rule. That fact was brought before the Interstate Commerce Commission in some of its earliest cases. The facts bearing on those cases together with the contention of interested parties and the final ruling by the Commission strike at the heart of the problem of packing plant location and the system of marketing employed to get the hogs to those plants.

The relation of hog rates to meat rates came up for adjustment in 1889. On January 1, of that year, the freight on live hogs to Chicago from specific points, some of them in Iowa, ranged from 5 to 11 cents per hundred pounds higher than on the packing house product. (1)

e. The J. P. Squire Case. The above situation prevailed between Chicago and Boston and the J. P. Squire interests entered a vigorous protest to the Interstate Commerce Commission charging unjust discrimination in rates for transportation of live hogs as compared with rates on slaughtered meat products. (2).

The John P. Squire and Company and its predecessors had been in business since 1847. (3) As the westward movement of hog population increased that firm followed the

source of production for its supplies. The slaughtering facilities remain in points in Massachusetts while purchases of hogs have been and still are made in the western markets. The firm has always been active in attempting to secure low hog rates in proportion to meat rates and their success has enabled them to remain in business of buying hogs direct at their transit points in Iowa and Illinois. It purchased hogs at western markets, like Chicago, Kansas City, Omaha, St. Joseph, and St. Louis. The hogs were concentrated at Joliet, Illinois, and then shipped to Cambridge, and Somerville, Massachusetts. The business of the firm aggregated from $13,000,000 to $15,000,000 annually and they employed about a thousand persons in the purchasing of hogs, curing, packing, and selling of products. Freight on live hogs amounted to over $700,000 per year. The firm presented its complaint pointing out that railroad companies were charging a higher rate for transporting live hogs than slaughtered hog products. (1)

A table of freight rates on live hogs and dressed meats from Chicago to Boston was prepared and submitted to the Commission to substantiate the charge.

Table II.

Table of Rates Submitted by J. P. Squire. (2)

Rates of Freight on Livestock and Dressed Meats from Chicago to Boston, taking effect on the dates following, being the rates in cents per hundred pounds.

<table>
<thead>
<tr>
<th>Date</th>
<th>Cattle</th>
<th>Hogs</th>
<th>Dressed Beef and</th>
<th>Dressed Hogs with</th>
<th>Dressed Hogs in</th>
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</table>

(1) 2 I. C. R. 306.
The table is significant for it demonstrates the instability of freight rates during the period June 20, 1887, to December 17, 1888. The rate on hogs between some points fluctuated from 30 to 23 cents per hundred pounds and then back again to 30 cents. Dressed hogs in common cars ranged from 17 to 60 cents while the rates on dressed hogs in refrigerator cars ranged from 17 to 70 cents. On one day, November 21, 1887, two changes were made in the rates during the day. Obviously, such frequent fluctuations bore no relation to cost of service nor to what traffic could legitimately bear. It is an excellent example of cut rate freight wars made possible by the lack of adequate government regulation of rates.

(1). The issue. In support of the charge of "unjust discrimination in rates for transportation of live hogs as compared with rates on slaughtered hogs" the J. P. Squire Company submitted eighteen allegations:

1. They bought large numbers of hogs in western states and shipped them to plants in Massachusetts where they had built up a pork business of considerable volume.
2. Hogs purchased west of Chicago were concentrated at Joliet and reshipped east.
3. Their business aggregated thirteen to fifteen million dollars annually and employed about 1000 persons.
4. The western markets were indispensable to said business but they had to bear transportation charges from which competitors were relieved.
5. This burden was so great as to threaten their business.
6. The price received for their pork products is influenced by their competitors who can cheapen their cost on account of discrimination.
7. These competitors ship beef east at lower rates and sell in competition with pork.
8. The railroads receive the hog business which averages 175 double deck car loads weekly.
9. But the same railroads at the same time haul enormous amounts of competitors products.
10. That when freight on live hogs is 30 cents per cwt. the rate on slaughtered hogs should be not less than 65 cents per cwt.
11. The railroads had discriminated against them by not charging these rates.
12. The rates now charged on live hogs are "undue and unreasonable prejudice" and is "an unlawful act on the part of said respondent railroad companies and prohibited by provisions of said act."
13. The Act forbids such unjust rates as are being charged the live hog traffic.
14. Railroads had not heeded protest against this discrimination.
15. Rates had been absolutely unstable.
16. Rates had been relatively unstable.
17. Claimed $75,000 loss on account of discriminatory rates.
18. This fact threatens ability to stay in business.(1)

(2). The railroads defense. The railroads replied to the series of complaints on March 1, 1889, and acknowledged that the J. P. Squire Company was engages in shipping over their railroads and that the volume of business was about as stated in the complaint. They further admitted that the chief source of supply of hogs was the western markets. They pointed out, however, that the number of hogs slaughtered in the western states and shipped as dressed meat to market was so inconsequential that it would not materially affect the price in certain markets and that it would not compete to any material extent with the business

of the J. P. Squire Company. The railroads pointed out further that the item of freight charges would not affect the ability of the firm to stay in business even though the freight on live hogs aggregated a considerable amount; that the instance of freight was so slight it was not possible that such competition as they had could affect the ability to carry on their business. The railroads denied that the relative consumption of slaughtered hogs and beef would depend upon the relative price for those products were sold in the market and whatever enabled the dealer to cheapen either relatively would not materially lessen demand for one and increase sale for the other. They claimed that a change in price of one or the other seldom or never was so great as to have an appreciable effect upon the amount of one or the other consumed.

The railroads denied that there was any discrimination against live hogs which was greater in proportion to charges made for other commodities, including dressed hogs, dressed beef or cattle. They pointed out that the thirty-cent rate per hundred pounds for the transportation of live hogs from Chicago to Boston allowed only reasonable profit and in itself was wholly reasonable. It was argued that the reduction in cost of transportation made in commodities other than live hogs had not affected retail prices of beef and pork either fresh or salted, and it had remained the same
in markets in which the J. P. Squire Company had been
sending products during the entire period covered by the
exhibit. (1)

(3). The decision. The case was finally
decided April 21, 1891. Four issues came up for decision.

1. "The provision of the third section of the Act to
Regulate Commerce prohibiting carriers from making or giv­
ing any undue or unreasonable preference or advantage to
any particular person, firm, company, corporation or locality, or any particular description of traffic, in any re­spect whatsoever, not only applies to relative rates on
one description of traffic shipped to or from competing
localities, but also to relative rates on differently
described articles which are competitive in the same mar­kets; and when carriers have established rates on articles
of competitive traffic which are relatively reasonable and
fair, they cannot arbitrarily select particular articles
of such traffic and materially raise or lower rates so
established thereon without violating that provision of the
Statute.

2. "The relation of rates ought to rest upon fixed and
stable conditions. The fluctuations of markets are so fre­quent, especially as to competitive articles, and oftentimes
unexpected, that commercial considerations alone would not
furnish a sufficiently stable and fixed rule for guidance
in making a rate that should remain substantially permanent
through all fluctuations. The Commission does not, by a
fixing of rates attempt to overcome advantages which one
producer or dealer may have in his geographical location,
and to produce equality between competitors in allmarkets.
It would be a useless task, even if it had the power, to
attempt to accomplish such a result. The proper relation of
rates for transportation of strictly competitive articles
over the same line should be determined by reference to
respective costs of service ascertained with reasonable ac­
curacy.

3. "Violation by one carrier of principles laid down in
this case as governing relative rates on competitive articles
does not justify similar violations by its competitors.

4. "The rates involved in this case are those on live
hogs, live cattle and the dressed products of each. These
are found to be competitive commodities and therefore en-

(1). 2 I. C. R. 485.
titled to relatively reasonable rates for transportation proportion to each other according to the respective costs of service." (1)

The Commission did not specifically decide what rates should be put into effect but it was suggested that the meat rate should be fifty per cent higher than the live hog rate. That figure was arrived at by deciding that the proper relation between the two rates should be based on the cost of service. The data on cost of service were meager but the Commission pointed out the railroads had sufficient data at hand to compute a practical rate based on cost of service. (2)

The victory for J. P. Squire interests meant that they could come to western markets, buy hogs and concentrate them at Joliet, Illinois, for eastern shipment without being handicapped by a higher rate on hogs than that which existed on meat shipped east by the Chicago and other western slaughterers. As the then small Missouri River markets became organized into terminals during those years that decision together with one other made it possible for Squire to establish country buying stations in Iowa and avoid terminal charges at those points in the same manner that he had been able to avoid the Chicago terminal charges. With the rate from interior points to Boston made less on hogs than on meat it was possible to further develop the fresh meat trade.

in consuming areas. That special demand has continued to the present time and the selling of hogs to concerns supplying that demand is one direct outlet for Iowa hogs.

f. The Board of Trade Case.

(1) The complaint. Another case involving the same principles came before the Interstate Commerce Commission when the Chicago Board of Trade filed a complaint concerned with rates charged for shipping live hogs and hog products from Missouri River and interior Iowa markets to Chicago. It undertook the task of proving to the Commission that there was "unjust discrimination against the transportation of live hogs as compared with 'packing house product'." (1)

It was claimed that the practice of charging higher rates on raw material than on manufactured product to Chicago gave undue advantage to western pork packing industries located on the Missouri River and vicinity, at interior points, and at St. Louis and other points on the Mississippi River, and subjected the Chicago packers to unreasonable disadvantage by reason thereof.

The Chicago Board of Trade interests presented a table of rates from specified points west of Chicago indicating that live hogs paid from 5 to 11 cents per hundred pounds higher rates than did the packing-house prod-

(1). 2 I. C. R. 410.
The Board of Trade pointed out that in addition to the expense of loading and unloading the owner of live hogs was subject to yardage, commission, and incidental charges at Chicago mounting to about 8 cents per hundred pounds. Those additional charges in many instances added one-third more to the freight charges and the Board of Trade pointed out that many western shippers of packing house products were not

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(1) I. C. R. 410.
subject to that expense. It is not clear what the thought of the Board of Trade was in bringing information on this important item before the Interstate Commerce Commission. They appeared to assume that the expense was a necessary one and one which could not be reduced. Perhaps that was one reason why the Iowa packers were able to operate, they were not subject to those expenses.

The Board of Trade stated that hogs were unloaded immediately upon arrival at Chicago and the cars were at once at the disposal of the transportation company. Two hours after arrival at the Union Stock Yards a train of stock cars were often unloaded and ready to be returned. Every carload of packing house product was allowed 48 hours for unloading and like other bulk and dead freight was often subject to serious delay beyond time for unloading with consequent enforced idleness of cars as the result. Here was an economic waste. The carriers had organized an association recently for evening unloading and returning of cars. In proposing a remedy for those conditions the Board of Trade contended that since the yield of hogs in product was about 72 per cent that proportion should be made the basis for fixing the freight rate on live hogs. (1)

"That is to say the amount of product obtained from the hog being about 72 percent of the live weight the rate on

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(1). 2 I. C. R. 411.
the live hogs, to be just and nonpreferential to shippers, packers, or localities should be about 72 per cent of whatsoever rate is made upon packing house product." (1) Thus equalized, it would rest with the western and the Chicago packer, according to his ability and resources, to determine the point at which the live hogs should be slaughtered and if the Chicago packer could hold his own against his western competitor the transportation companies would be enabled to receive the revenue upon the entire hog instead of only upon the condensed product which caused a loss of 23 per cent or a loss of twenty-eight in every hundred cars of freight handled.

Statistics submitted indicated that the packing business had already begun to decline in Chicago, for while there were twenty-two firms there regularly engaged in killing hogs in 1880 there were in 1889 only five packing houses killing hogs regularly. Five others killed occasionally and used their facilities for storage of the products of packing house killing points west of Chicago. The rest of the houses no longer slaughtered hogs at Chicago. They had either turned their houses to other uses or used them for the storage of pork product, the output of houses west of Chicago.

(1). 2 I. C. R. 411.
From 639,332 hogs in 1865-66 the packing of Chicago had increased to 5,752,191 in 1880-81; but from 5,752,191 in 1880-81 it had decreased to 3,732,344 in 1887-88, and a comparison of the output of 1887-88 with 1886-87 shows a decrease of 693,897 hogs, or 15.67 per cent, while a comparison of the packing of Kansas City during the same period shows an increase of 172,666 hogs, or 9.94 per cent, and at Omaha an increase of 658,336 hogs, or 218.64 per cent. (1)

The Board of Trade argued that such change was caused by the protection afforded the western packers by the railroads, "contrary to common fairness and public justice." (2)

The replies which railroads made to the complaint of the Chicago Board of Trade were most interesting. Even more interesting, however, were the replies of certain packers located in Iowa and at Kansas City. One railroad, The Chicago & Alton pointed out that the "difference in rates in live hogs and packing house products is fully warranted by the fact that the transportation of live animals is attended with greater cost and risk than the transportation of the dead product, and the further fact that of the latter, 24,000 to 40,000 pounds, is loaded into one car, while cars of similar dimensions provided for live hogs hold only from 14,000 to 16,000 pounds." (2)

They further claimed that rates on packing house prod-

products from Kansas City and other Missouri River points were influenced largely by lines operating south and southeast of Kansas City which transported large quantities of hog products on which they made low rates in order to compete with a section of country that was largely supplied by Cincinnati and Louisville.

The separate answer of the Chicago, Burlington & Quincy Railroad in the same case, filed March 12, 1889, admitted the substantial truth of the complaint as to existing rates and the difference therein between live hogs and packing house products, also the decrease of packing in Chicago between 1880 and 1883. The answer alleged that the disparity in the situation of the Chicago packer, as compared with the interior packer, was not great, as the latter previously paid to the respondent or other carriers freight on hogs to such interior packing points, and that the sum of the rate on such from the point of origin to the packing point, plus the rate on the product from the packing point to Chicago was not, in most cases, greatly less than the rate on live hogs from the original shipping point to Chicago direct.

The railways further stated that the interior packer benefitted them by shipping supplies, such as coal, salt, cooperage, etc., for the purpose of curing and packing meats. (1)

(1) 2 I. C. R. 505.
The separate answer of the Chicago, Rock Island and Pacific Railroad Company pointed out that the real contention in the investigation was between the packers in Chicago and others engaged in the same business at several points west of the Mississippi River.

The joint answer of the Illinois Central Railroad Company and the Dubuque and Sioux City Railroad Company, in the same case, was that for fifteen years it had been the practice to charge from Sioux City to Chicago a lower rate on packing house products than on live hogs, and that the rate on live hogs was too low to afford reasonable compensation for their transportation.

Packers located at Kansas City came into the case and stated that they were then and most of them had been for many years engaged at Kansas City, Missouri, in the business of slaughtering hogs and curing their products. They had, at great expense, established large plants, and during the year 1888, slaughtered at their plants between 1,500,000 and 2,000,000 hogs. (1)

They pointed out "that the causes for the removal of the great packing center of the country, first from Cincinnati to Chicago, and then from Chicago to the Missouri River, in the States of Iowa, Missouri, Kansas, and Nebraska, (the greatest hog producing regions of the country), the central point in which it is alleged is Kansas City, is the result of natural development and progress of the west in
the prosecution of enterprises which were formerly confined to localities further east; that it would be repugnant to public policy, and to the theory of the Interstate Commerce Act, that, at the demand of any local interest, rates of transportation should be established for the purpose of overcoming natural advantages enjoyed by one locality over another, or for the purpose of taking from one locality a part of its business which has been built up, relying on such natural advantages of location and giving it to another, less favorably located." (1)

(3). The intervention of Iowa packers. Iowa packers intervened and said that they were vitally interested in the investigation proposed by the complaint and in the judgment that would be rendered, that they were and had been for many years engaged in hog packing at Des Moines and Sioux City, Iowa, and had large sums of money invested in property, machinery, and appliances suitable for the business, and that the aggregate daily capacity of the packing houses owned by them was more than 18,000 hogs; that all of the property, machinery and appliances, would be rendered substantially worthless, and the business in great part, if not wholly, destroyed if the relative rates on live hogs and packing house products, demanded by the complaint, should be established.

The Iowa packers denied that the transfer of the business of pork packing from Chicago to cities in Iowa, Nebraska, Kansas, and Missouri, had been occasioned by unjust discrimination in railroad rates, or by protection

(1). 2 I. C. R. 506.
afforded the western packers. They alleged that such transfer was the result of natural and inevitable laws of trade which, in previous years, gave to Chicago, the business of Cincinnati—the manufactory moving to the raw material. (1)

Their answer further alleged that, considering the traffic in the two commodities, live hogs and packing house products, solely in view of the cost of service, not only was the product entitled to the lower rate but a greater difference than then existed could be easily justified. To support this counterclaim certain propositions were advanced:

"First. That the risk of transportation was much greater in live hogs than upon packing house products.
"Second. That in the transportation of the product there was no necessity for fast trains or for special attention to the freight, thereby diminishing the cost of the service.
"Third. That in the transportation of the product, it was not necessary to reach Chicago for a particular market as was the case with trains of live hogs, and therefore the carrier was relieved of the continuous demands for damage arising from delay.
"Fourth. That the maximum weight of a carload of product was 40,000 pounds whereas the maximum weight of a carload of live hogs was only 20,000 pounds. Thus, by carrying the product instead of the live hogs, there were required fewer trains, fewer employees, fewer cars, the transportation companies were subjected to fewer accidents of all kinds and a consequent less liability to passengers, shippers, and employees.
"Fifth. That in the transportation of live hogs it was a general rule that a shipper was entitled to a free

passage for one person, from the point of shipment to Chicago, upon the freight train, and return upon a passenger train, for each car of hogs. From this burden the railroad companies were wholly relieved in the shipment of product.

"Sixth. That the aggregate tonnage to the railroads was greater when the product was shipped to Chicago than it was when the hogs were shipped; and the greater tonnage was carried with no larger expense than the less would be.

"Seventh. That upon live hogs carried to Chicago there was a loss of freight to the carrier upon not less than 1,200 pounds for each car, which was caused (1) by a shrinkage en route of 700 pounds per car; (2) by an arbitrary deduction of 500 pounds per car at the Chicago stockyards.

"Eighth. That when hogs were carried to Chicago a further loss in freight arises as follows: The hogs were weighed at Chicago and freight paid upon actual weight less the deduction and subject to the shrinkage above mentioned; whereas, the freight upon hogs delivered at Iowa packing points was paid upon the basis of 18,000 pounds as a minimum carload and upon actual weight, if in excess of the minimum; and as heretofore shown the average weight of a carload is greatly less than 18,000 pounds.

"Ninth. That when hogs are carried to Chicago the cars were weighed twice at the expense of the carriers, to which expense they were not subject in delivering hogs to Iowa packing points and in taking the product out.

"Tenth. That the owners and shippers of hogs were entitled to such an adjustment of rates as will require the shortest practicable haul upon the live animal, because the shrinkage of 700 pounds per car already referred to must be borne either by them in loss of weight, or by the consumer of the product, in the price of the commodity." (1)

The Iowa packers further charged it to be a fact that the "practice of making higher rates upon live hogs than upon the product had been continued for twenty years or more and under it the interveners had expended large sums of money in the construction and acquisition of

(1) 2 I. C. R. 507.
property, fit and suitable, for the business in which they were engaged; that all kinds of trade and commerce in the territory covered by the complaint had been organized and developed upon the basis of a continuance of said rates; and to change them then, would not only destroy the capital immediately invested in packing property, but would disorganize and seriously affect many other industries incidental to and connected with the packing business." (1)

(4). The decision. The Commission ruled that "the pork packing business is too large to be done in a corner and.... is a conspicuous instance of a commodity that requires at the hands of carriers rates that are not only reasonable and just in themselves but relatively reasonable and just in their bearing upon these different localities."

"As articles of commerce, the evidence shows without conflict that the live hog and its product are in direct competition with each other. This only brings out in a stronger light the discrimination that is made against the traffic in the live hog as compared with the traffic in the product. Of the two the product is very much the more valuable; it is transported at more expense to the carrier; and yet much lower rates on it are charged for shipping to Chicago than upon the live hogs. It is indeed a crushing discrimination........ According to the practice of the carriers themselves it is an unlawful preference given to one kind of traffic as against another. It is clearly in violation of the third section of the Act to Regulate Commerce, in this, that it is an unjust discrimination in favor of one kind of traffic and an unlawful prejudice against another kind of traffic; and also in this, that it is an unlawful discrimination in favor of other markets and buyers, and an unlawful prejudice against the city of Chicago and packers and buyers in that city.

"The order of the Commission is that the defendant carriers must forthwith cease and desist from the unjust discrimination now made by them in rates on live hogs and packing-house product from Missouri River points and

(1). 2 I. C. R. 507.
from all intermediate points in the states of Iowa, and Missouri to the city of Chicago in the state of Illinois." (1)

The decision was a great rate victory for the Chicago interests and, no doubt, hindered for a time the rapid development of the interior Iowa hog markets. However, even with readjusted rates Iowa hog slaughter continued. Some firms dropped out but Morrell and Sinclair survived. About that time new packers destined to become important factors in Iowa hog slaughter appeared. Decker opened a plant at Mason City and Rath, formerly of Dubuque, opened one at Waterloo.

It is evident from the information presented in the foregoing cases that the relation between live hog and meat product rates has varied considerably. The packing industry is a volume business, that is profits per pound are small often averaging during the course of a year only a fraction of a cent per pound. That is the main reason why there has been such a continuous struggle for advantageous rates as between markets and products. The Iowa farmer who sells hogs which are shipped to and sold in distant consuming areas, knowingly or not, has been affected by the rate struggles. The producer receives a price for his hogs which is partially determined by the

(1). 3 I. C. R. 247.
freight rates on both hog and pork products from his farm to the consuming center. The buyer who has the highest transportation costs to pay fixes the market price of the hogs. That is to say, the marginal packer buyer is limited in what he can pay, other things being equal, by his freight rate compared to that of his competitor. The influence of freight rates often determines the type of market the farmer will use.

The discussion in the Shiel case showed that a difference of 5 cents per hundred or one-twentieth of a cent per pound caused the abandonment of a concentration yard by the Shiel Company. The highly organized traffic departments testify to the importance the industry places on freight rates.

"Probably no other industry responded as sensitively to the problems involved in a balanced freight rate structure as that of livestock slaughter and meat packing. The influence of railroad rates on the direction of livestock movement and the location of packing plants has been marked, ever since rapid transportation of fresh and lightly cured meats were developed as a system competing with the shipment of live animals. In general, when freight rates have favored the shipping of cattle as compared to cattle, sheep, or hogs, the volume of western slaughter has increased, while in periods when rates have favored the shipping of animals, the proportionate volume of slaughter in the east has risen. The history of the disputes and trade wars that have occurred in the last sixty years provides a record of competitive conditions as severe as have been found in any of our greater American businesses." (1)

Competition exists between three types of slaughterers, those in the region of surplus production, those between the surplus and deficit areas, and those in the deficit area. The ability of the three localities to remain in competition for Iowa hogs has been an important influence in maintaining direct marketing as a continuous method of disposing of Iowa hogs.

The decision in the Board of Trade case marks a turning point in the stability of freight rates between live hogs and hog products.

The rate situation since 1890. Since 1890 the pork rate from Chicago to the East has varied between 145 and 162 per cent of the live hog rate. The rate on fresh meat has been considerably higher, with a few exceptions occurring since 1915.

The relationship was disturbed when rates were increased in 1918 and two years later another rate increase widened still further the absolute spread. During that time the proportion of livestock slaughtered in the East and the West shifted considerably. The inference is that freight rate changes have been a contributing factor. (1) One should not place too much weight on the influence of freight rates in this connection, however. Fresh meat sells for three or even four cents per pound more than western dressed meat shipped to

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eastern cities and a few cents per hundred pounds difference in freight rate would not cause a closing down of eastern plants. The fact that the East is willing to pay so much more for the product is probably more of a contributing factor to the increase in eastern slaughter since the World War. Any gain which might be made in freight saving would be just that much more incentive to kill hogs in the deficit area.

Shifting freight rates are more disastrous than are high rates for once a plant becomes adjusted to certain conditions the uncertainty and change tend to disturb trading relations and mean added selling expense, especially when the market area changes and it is necessary to go into a new territory and build up a trade.

The two most important rate cases during the last decade have been the Morrell Case and the Eastern Livestock Cases of 1926. After the rate reductions of 1922, livestock and packing house products carried a rate of 56.5 cents per hundred pounds, Chicago to New York, and fresh meat paid eighty-seven cents. (1)

In those cases the interior Iowa packers wanted rates east of the Mississippi reduced on meats while Chicago packers who slaughtered mainly in the West wanted a narrow spread between livestock and fresh meat rates. (2) That would tend to

(1) Ibid. p. 1517.  
(2) Ibid. p. 1518.
favor the western plants, of course. The Chicago packers who slaughtered in both sections asked for reduction in rates on livestock without any fixed relationship between livestock and products. (1) They probably reasoned, and correctly too, that if livestock rates were reduced product rates would be lowered also and a product could be put into the hands of the consumer that much cheaper, thus tending to build up volume. Two other interests remain to be considered. There were independent slaughterers in the East who asked that rates on livestock be left intact and that rates on packing house products and fresh meats be advanced. The associations of livestock shippers asked that such a balance be maintained between rates on live animals and on products so that both eastern and western slaughterers could compete actively for livestock in western markets. (1)

It is interesting to note, however, that on May 4, 1933, the rate on fresh meats from typical points in Iowa to New York ranged from 130 to 141 per cent of the double deck rate on hogs. (2)

h. Trucking. A new method of transportation has appeared in Iowa between 1910 and 1920. This system is not peculiar to Iowa for it was used in the eastern corn belt states previous to the time it came into general use in Iowa.

(1). Ibid. p. 1518.
(2). McCaughan, Geo. L. Personal communication. The Board of Railroad Commissioners, Des Moines, Iowa. May 4, 1933.
The trucking of hogs furnishes a research problem in itself and will here be considered only in relation to the direct marketing movement in the state. It is significant, perhaps, that practically all of the studies on trucking which have been conducted have been in connection with terminal markets.

Trucking to terminals assumed importance in 1916 when 579,102 hogs went to sixteen terminal markets by truck. The same markets received 12,166,957 in 1931, an increase of 2101 per cent. That increase extended into 1932. The data covering the six important midwest markets during that year, Chicago, St. Paul, Sioux City, Omaha, St. Joseph and Kansas City, indicated that they received 9,235,384 hogs by truck, or 49.3 per cent of the total.

A pronounced increase occurred during the period 1925 to 1931 when the percentage of trucked hogs increased from 10.37 to 42.98 per cent. The ten year average of 1920 to 1929 was only 13.41 per cent while the figure for 1930 was 34.33 per cent and 1931 was 42.93 per cent. (1) It should be noted that these data cover terminal markets only. During 1929 motor displaced approximately 60,000 double deck cars for hogs, at the sixteen markets. In 1931 the figure increased to approximately 80,000 double deck cars. (2)

"The increase of livestock moving by truck into Sioux

(1) Data supplied by Bureau of Agricultural Economics, U.S. Dept. Agr. and from stockyards reports.
City between 1927 and 1929 was 19.5 percent for 75 miles and over, 25.4 percent between 50 and 75 miles, 42.9 percent from 25 to 50 miles, and a decrease of 12.4 percent from 25 miles and under. Only 3.3 percent of the receipts of livestock by truck at Sioux City are from distances over 150 miles. A relatively few shipments of livestock are made for a distance of 300 miles, in cases where the truck haul from the farms to the railroads is 40 miles or more. The average haul from the farms to the railroads is 40 miles or more. The average haul by truck from points in Nebraska to South Omaha, Nebr., in January, 1931, was 79.4 miles and from Iowa points it was 60.6 miles.

"At Sioux City 85 to 90 percent of the livestock is hauled by contract trucks and the rest by private or farmer-owned trucks; at South Omaha the percents are 75 and 25 respectively.

"Livestock trucking distances are increasing owing to dual tires, larger equipment, use of tractors and semitrailers, and improved highways." (1)

In 1931 58 per cent of the Iowa trucked hogs went to direct markets as compared with 59.6 per cent of all hogs to direct markets. In other words the truck was an impartial distributor of hogs to the different outlets. If anything they favored the terminal markets. While the percentage of Iowa trucked hogs going to public stockyards declined a similar decline occurred in rail shipments to public stockyards, the decline in the latter a little more severe.

Truck marketings of Iowa hogs go to all types of markets. In 1931 Iowa farmers marketed 15,075,908 hogs, of which 34.9 per cent or 4,564,125 were trucked to market. Of the trucked

(1). Ibid. p. 55.
hogs 42 per cent went to public stockyards, 39 per cent to packing plants, and 19 per cent to concentration points. (1) Of the total receipts at the different types of markets Iowa trucked hogs comprised 37 per cent at the public stockyards, 33 per cent at all packing plants and 35 per cent at all concentration points. In 1932 Sioux City received 1,955,317 hogs of which 1,707,898 or 87.4 per cent were trucked and Omaha received 3,077,395 of which 2,176,672 or 70.7 per cent were trucked. Of the total hogs received at Omaha 681,630 came from Iowa. (2)

As settlement of the state progressed westward, droving to nearby points gave way to rail transportation. Long hauls to distant markets replaced the shorter trips of the earlier day. The last decade has witnessed the displacement by the trucks of over one-third of Iowa hog marketings.

The truck constitutes a small unit of transportation and is a factor which helps to determine the market destination of hogs. The trucking of hogs to terminal markets increases the terminal market expense. Higher charges per head are made for yardage and selling commission on the smaller lots. A compensating fact is the elimination of local buyers commissions and association expenses at local points. The tendency to eliminate those expenses and the tendency to in-

crease the terminal marketing expense may contribute to the diverting of hogs to direct market outlets.

The location of the markets should be emphasized as a factor in the development of trucking. The terminal market grew out of a situation which existed in railroad transportation.

The local markets scattered over Iowa make it easy for the farmer to become acquainted with the packer buyers. The truck makes possible intensive coverage of the territory with more effective results. As the trucking radius is doubled the area covered is increased four times, whereas the doubling in length of a railroad track from a market only doubles the area served.

The flexibility of the truck constitutes a decisive reason for its increased use. The farmer can sell less than carload units at almost any time he wishes. He can sort off uniform droves of hogs as they are ready for market. He can determine the time of marketing more accurately. When he decides to market he does not find it necessary to wait for the railroad company's agent to procure a car, for the livestock dealer or shipping agent manager to collect a carload before he can market his hogs. He may sort out a small number of hogs, telephone for a truck and market his hogs after he has listened to the radio market report in the morning. His hogs can be sold the same day and the returns received promptly.
While it is not the purpose of this study to compare the relative merits of trucking versus rail ing hogs it would be in order to mention that, whereas freight rates are fixed by law and rigidly enforced, trucking charges are unstable and tend to remain lower than rail charges when the supplementary costs of raling are included. The truck takes the hogs from the farm lot to the packers door, whereas railed hogs must at least be taken to the station. Schedules of truck rates adopted by law have been rarely enforced. Reasons for a possibility of evasions are obvious. In the first place, a different quality of service is rendered which cannot be expressed in charges by distance, rates. For example, a trucker may act as salesman at the market, thereby earning a higher trucking rate or he may carry a back load to the farmer and make no charge whatever for trucking the hogs. Furthermore, trucks are usually owned by individuals and it is more difficult to regulate rates charged by individuals than by corporations. Again the trucker may "hire out" by the hour or he may buy the hogs outright agreeing to pay for them at a market price less a certain "commission." Further, the shipper who gets the advantage of cut rates is not likely to advertise the fact. As a result unstable rates are the rule rather than the exception.

The trucking business is in a transitional stage. Prior to the establishment of the Interstate Commerce Commission
railroads engaged in rate-cutting wars and it is not surprising that the new system of transportation is doing the same thing.

Up to the present time trucking is a factor in direct marketing only in so far as it competes with the railroads for the volume going to the direct marketing outlets.

1. Importance of transportation in market location. Transportation methods dominate and determine the location of the market at all times. The early Iowa packing plants were located on the Mississippi River for the one reason that it was the only practical route to the market in the southern part of the United States. Four railroad lines connected Iowa with Chicago by 1860. The shutting off of the southern market by the closing of the Mississippi River during the Civil War completely relocated the outlets for Iowa hogs and for a time after the war threatened the very existence of direct marketing in Iowa. But with the building of railroads across Iowa and the subsequent location of packing plants at points on those lines the tendency for direct marketing to increase exerted itself. The establishment of the Union Stock Yard & Transit Company in Chicago was distinctly a railroad operating economy and that market immediately became and still remains the largest single hog market in the world.

After the physical transportation plant had been built
the economic problem immediately appeared and freight rate wars originated between localities, industries, products, and market systems. The system of marketing which is able to adjust itself to changing technology must obviously be elastic. Direct marketing is that system. It is not burdened by the expensive yards on high priced land nor the large exchange buildings which prevent terminal markets from making radical adjustments to meet new conditions. Concentration plants are small in size, located on the railroad right-of-way or on comparatively cheap land adjacent and contain but little equipment, only a scale and small office. It can be closed during dull seasons or even permanently with little loss to anyone.

The ability of the interior Iowa packer to survive in the face of outside competition has been due to the excellent transportation facilities from nearby producing areas to his plants and the outgoing routes for the meat products. It should be remembered that several lines of railroad radiate from the different interior Iowa packing centers, reaching into the producing areas. At each of the important interior Iowa packing centers three or more trunk lines are available.

The Iowa producer has always availed himself of a number of different market places. At no time in the history of the state has any one market received all the Iowa hogs. We
found that during the period 1831 to 1865 all Iowa hogs were marketed direct that is without the services of a public stockyard. Since 1866 the producer, in addition to local markets which he had reached directly, has had the alternative of public stockyard market services. He has used those services more at some times than others but at no time in Iowa history has the Iowa hog producer been limited to terminal market outlets. A majority of his hogs may have gone to a number of terminal markets but he has always availed himself of the competition afforded by the local markets. The tendency to sell hogs to interior Iowa plants increased to a point where the interior plants killed over one-third of all Iowa hogs slaughtered in the latter part of the nineteenth century. Such keen competition developed for Iowa hogs at that time that Swift and Company purchased the Squire interests and came into the state and established concentration stations. In 1916 one of those stations furnished the company 275,000 hogs. Another proof of strong competition during the first decade of the twentieth century was the organized attempt of the National Live Stock Exchange to halt that development by filing a formal complaint before the Interstate Commerce Commission but the direct marketing interests so clearly established their case that the effort proved futile. It can be concluded without fear of successful contradiction, therefore, that direct marketing in Iowa has always been an important and influential method of farm disposal of hogs.
D. The Relation of Government to Direct Marketing.

Leading critics of direct marketing maintain that the packers have gone into the country to buy hogs for the purpose of avoiding government regulation.

M. W. Borders delivered an address on "The Marketing of Live Stock" before the Texas Bankers' Association in 1929. That address has been given wide publicity and a few excerpts from his remarks are typical of the opinions held by many leaders in the livestock trade.

"The purchase of our food animals by the big packers privately, without competition, instead of in public competitive markets under Federal control, will destroy equality of opportunity and ultimately ruin the live stock industry itself." (1)

"The issue is whether the present public, competitive markets, which have been in use over fifty years, shall be preserved, or whether the private system of marketing, without competition or Government regulation, shall be substituted therefor." (2)

"We thus have today in this country this dual system of marketing, which cannot last indefinitely. We have the public, competitive market, regulated and controlled by the 'Packers and Stock Yards Act, 1921', which was passed as the result of an aroused public conscience, both in and out of Congress, to regulate the marketing of live meat animals and particularly the big packers in these markets. But in the enforcement of that law, Attorney-General Harry Daugherty gave an opinion that the law did not apply to the 'private' yards of the big packers. This Daugherty opinion accomplished two definite and far-reaching things: first, it pointed the way for the big packers to evade the 'Packers and Stock Yards Act, 1921', and, second, it spurred the packers on to the development of this private system of marketing. The result has been that all of the big packers now...

(2). Ibid. p. 2.
have their 'private' yards, in which they purchase animals for slaughter without Government regulation, without competition, and in which the packer, arbitrarily, determines the grade, the weight and the price. No one is present but the packer and his own conscience when he 'marks the ticket', which is the trade expression for all that takes place in the sale and purchase, and yet this concerns food." (1)

"For more than twenty-five years there has been constantly recurring criticism and agitation against the packers, because of their alleged control of the live stock markets. It was this control that caused the investigation of the packing industry by the Federal Trade Commission, which cost the taxpayers much money and the packers untold millions, and that gave us the Consent Decree and the 'Packers and Stock Yards Act, 1921', all of which are today, rightly or wrongly, dead letters so far as practical and effective recognition and enforcement of the people's rights in these markets are concerned." (2)

The October issue of "The Co-operative Shipper", the official organ of the Central Co-operative Association of St. Paul contained the following statement which expresses the opinion of many cooperative marketing leaders:

"......it should also be kept in mind by the farmer that one of the purposes of the packer in establishing direct buying yards in the country is apparently to avoid dealing on markets which are handled under state and federal supervision. That is, the public competitive markets are carefully supervised by the federal government." (3)

An organized campaign has been conducted during the last ten years to amend the Packers and Stockyards Act so that the jurisdiction of its administration would include the country buying activities of the packers. More recently attempts have been made to secure state regulation of direct marketing

(2). Ibid. p. 23.
points which would somewhat parallel the national regulation now in force at the terminal markets. Certain facts which bear upon this problem are available. Various agencies of the United States government have subjected the packers to all sorts of criticism. The culmination of the attacks appear in the famous Federal Trade Commission Report on the Meat-Packing Industry. Then followed entering into the Consent Decree and the passage of the Packers and Stockyards Act of 1921. Following the decision of the Attorney General that the Act did not include private stockyards attempts have been made to include them. The central argument which has been used is that the packers ought to be regulated and, if properly done, that would abolish direct marketing and increase the price of hogs $1.50 or $2.00 per hundred.

The activities of the packing industry and especially of the larger units have been investigated at various intervals for over forty years. It is but natural that their methods of buying should be studied. The relations of the packers and the government must be understood if we would properly evaluate the accuracy of the charge that the packers have gone into the country to buy hogs in order to avoid government regulation.

1. The Effect of Interstate Commerce Commission decisions.

The growth of governmental influence in the hog marketing trade with the passage of the Interstate Commerce Com-
mission Act in 1887. It reached an important milestone in 1921 with the passage of the Packers and Stockyards Act. The demand for government participation in the matter of market regulation did not spring spontaneously overnight but is the result of a belief which is still widely held that the packer is always responsible for low prices. The view is reflected in the recent utterance of a Congressman to the effect that one reason he would support a particular bill was that the packers were opposing it. Since many of our laws are the results of producer activities it is necessary to trace some of the more outstanding incidents connected with the movement which finally placed the Packers and Stockyards Act on the Statute books. This will be followed by a study of developments in connection with its administration and attempts to add amendments.

The Interstate Commerce Commission Act of February, 1887, created the Interstate Commerce Commission of five members appointed by the President. (1) The Act was passed largely as a result of the Grange movement in the Northwest. During the period of expansion of railroad construction in the 70's and 80's, Iowa farmers made large contributions in the way of taxes and other inducements to secure railroad construction.

After the railroads were built and prices declined to

low levels the farmers blamed the railroads and after fifteen or more years of agitation secured the passage of the Interstate Commerce Commission Act which was designed primarily to bring prosperity to the Northwest by the abolition of discriminating freight rates.

We have noted the decision of the Interstate Commerce Commission in the case of the Chicago Board of Trade versus the railroads and we found that many interior packers ceased doing business shortly after that decision. With freight rates adjusted so that hogs carried a lower freight rate than meat to Chicago, many small Iowa packers passed out of the picture. They did not withstand the competition of the large companies which were being developed at Chicago nor the outside companies which came into the state.

The development of large national business organization was a feature which characterized the industrial revolution during the last twenty-five years of the nineteenth century of the United States. This period coincided with the great expansion in railroad construction in the movement of settlers to the western parts of the country. The packing industry expanded along national lines under the leadership of such men as Swift, Armour, Morris and Hammond and their activities became involved in governmental investigation along with other kinds of industry.

From that day to this the packers have been on the de-
fensive in the matter of public opinion with respect to their business operations. The activities of the big packers in buying hogs direct have been criticized and we need to trace carefully the relations of the packers to what is commonly known as the Sherman Anti-Trust Law of 1890.

2. The relations of the big packers to the Anti-Trust Law.

The first public record of an inquiry into the relations of the big packers is the report made in 1890 by a committee of the United States Senate. The Committee determined that there was "collusion with regard to the fixing of prices and the division of territory and business." The Federal Trade Commission in 1919 concluded that "the conditions revealed by this investigation, . . . . were in part responsible for the passage of the Sherman Anti-Trust Act on July 2, 1890." (1)

The problem of territorial distribution was brought before the Secretary of Agriculture in connection with an interior Iowa packer. Formerly the case would have been taken directly to the courts but under the Packers and Stockyards Act the Secretary made the investigation and gave his decision.(2)

When the Federal Trade Commission investigated the meat packing industry including investigations of the practice of buying direct it saw fit to go back over

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a period of thirty years for a review of the alleged monopolistic activities of the packers. While the investigations were in progress Swift was establishing concentration points in Iowa.

The object of the investigations was to secure evidence upon which to convict the packers of conspiracy to violate the Anti-Trust Law. It should be kept in mind, however, that the investigations covered operations in beef and in no way related to the hog killing business. That differentiation is important since direct marketing of hogs has been more widely practiced than that of the other species of livestock. A brief summary of the situation, then, is necessary at this point.

3. Summary of governmental activities.

During this period big business houses developed in many lines of industry and the packing industry was no exception.

The Federal Trade Commission reported that the combination among the Armour, Swift, and Morris families extended over a period of thirty years, beginning about 1885. (1)

Three periods were described by the Commission. The first period, 1885 to 1902, included the period of the so-called dressed meat pools, when a combination was formed to control the shipments of fresh meat by each member. The second period

began with the attempted consolidation into a single corporation of all the principal packers and, on failure of the plan, took form in the National Packing Company. The company was liquidated in 1912. It had been organized in 1902 and the plan contemplated getting control of a number of independent packing houses in different cities. The fact that the stock in the new company was owned by the big packers constituted in the public mind the belief that no real competition existed between the big firms. The third period was less definitely described by the Commission. In speaking of the principal combination in that period the Commission concluded: "it is far superior in its operations to the clumsy 'pools' of the 90's." (1)

The Anti-Trust Act of 1890 declared "illegal and criminal, punishable by fine or imprisonment, or both, every contract in restraint of trade or commerce among the several states or with foreign nations."

Many large packing companies, including Swift, Armour, and others were charged with being engaged in a conspiracy to violate the law. They were said "to control the business of the purchase of the livestock, their preparation for use in meat products, and the distribution and sale thereof in this country and abroad." (2)

"In May, 1902, The Department of Justice filed sweeping charges of conspiracy and restraint of trade against the big packers and asked for an injunction. The charges were not specifically controverted, and after some delay and slight

modifications a permanent injunction was issued by the Supreme Court of the United States on May 26, 1903." (1)

"In 1903, a bill in equity was filed by the United States to enjoin further conduct of this alleged conspiracy, as a violation of the Anti-Trust Law, and an injunction issued. United States v. Swift, 122 Fed. Rep. 529. The case was taken on appeal to this Court, which sustained the injunction. Swift v. United States, 196 U. S 375. In 1912, these same defendants or their successors in business, were indicted and tried for such violation of the Anti-Trust Law, and acquitted." (2)

Then followed the period of agitation and the investigation which produced the highly controversial report on the meat packing industry. That period extended to the time of the investigation in 1917. It is not worthwhile to analyze the validity of the Federal Trade Commission's conclusions and recommendations but merely to note certain facts which were verified. We know much more about the meat packing industry today as the result of the investigation even though it may have been highly prejudiced.

The Federal Trade Commission Act had become a law in 1914. The object of the Act was to prevent the use of unfair methods of competition in commerce. The Commission was given power to collect information and to "investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relations to other corporations and to individuals, (1). Ibid. p. 47. 
associations, and partnerships." (1)

Under the authority of this Act and President of the United States on February 17, 1917 directed the Federal Trade Commission "to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations of the antitrust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest," to the end that "proper remedies, legislative or administrative, may be applied." (2)

The Commission made an extensive investigation and a voluminous report followed. It reported that the Big Five (Swift, Armour, Cadah, Wilson, and Morris) had complete control of the trade from the farmer to the consumer and that competition had been eliminated. One of the most important means by which that was made possible was their ownership of the controlling shares of stock in the stockyards companies of the nation.

The report stated: "We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution."

"If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is."

"The competitors of these five concerns are at their

(1). Ibid. p. 36.
mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution." (1)

"The power of the Big Five in the United States has been and is being unfairly and illegally used to manipulate livestock markets and secure special privileges from railroads, stockyards companies, and municipalities." (2)

"The big packers' control at these markets is much greater than these statistics indicate. In the first place they are the largest and in some cases practically the only buyers at these various markets, and as such hold a whip hand over the commission men who act as the intermediaries in the sale of livestock.

"The packers' power is increased by the fact that they control all the facilities through which livestock is sold to themselves. Control of stockyards comprehends control of livestock exchange buildings where commission men have their offices; control of assignment of pens to commission firms; control of banks and cattle-loan companies; control of terminal and switching facilities; control of yardage services and charges; control of weighing facilities; control of the disposition of dead animals and other profitable yard monopolies; and in most cases control of all packing-house and other business sites. Packer-owned stockyards give these interests access to records containing confidential shipping information which is used to the disadvantage of shippers who have attempted to forward their livestock to a second market.

"The smaller independents, therefore, confine themselves either to pork packing or to cattle slaughter for local consumption.

"The small packers, on the other hand, have been subject to extreme delays in securing the return of their cars. Six months for a trip from St. Louis to New York and return was not at all uncommon, and there are a number of cases where nine months elapsed before the car came back to its owner. The railroads have also been accustomed to take liberties with the independents' cars, as, for example, permitting their beef cars to be used for the shipment of onions." (3)

(3). Ibid. p. 41.
"The committee found, among other things, that there was collusion with regard to the fixing of prices and the division of territory and business.

"In a freely competitive market the common price would tend to reflect the true market value, because the low bidder would be required to meet this price or be left without a supply to keep his packing house running. But in a market where there is an agreed division, the natural law of the market is turned topsy-turvy, and the common price inevitably becomes that offered by the low bidder. Thus, even without any collusion beyond the agreement to divide purchases, the market price which the producer receives for his livestock is bound in the long run to be the lowest price which will keep the producers raising cattle, hogs, and sheep and sending them to the stockyard.

"But the Big Five are not content to trust simply the inevitable tendencies of such a market. They must be sure of their control from the minute the market opens until it closes. Their buyers are all instructed in advance from Chicago just what they must buy on the basis of the estimated receipts; and the buyers for the big packers are held back until one, two, or even three hours after the market opens, and then all go out into the yards together. By telephone and telegraph the buyers keep in constant touch with Chicago throughout the day, so that if the receipts run heavier or lighter than had been estimated, or if any other contingency arises, proper adjustment can be made, which will be in line with other markets and with the activities of other packers." (1)


The report made note that the big packers purchased approximately 10 per cent of their hogs direct and named the two regions in which they made direct purchases as the Pacific Coast region and parts of the corn belt. Iowa was specifically mentioned as a state in which the big packers maintained concentration stations for hogs. It was charged that while the big packers maintain a constant market for

(1) Ibid. p. 50.
livestock those markets are not competitive. (1) Iowa concentration points were listed by the Commission as follows: Swift and Company at Valley Junction, North McGregor, Clinton, Muscatine and Burlington, Iowa, and Savanna and Keithsburg on the Illinois side of the Mississippi River; Armour and Company at Fort Dodge; Wilson and Company, at Des Moines and Waterloo; The Cudahy Packing Company at Creston, and Cudahy Brothers (Milwaukee) at Boone. (2)

The report proceeded to list certain advantages of country buying to the livestock producer as follows:

"The most noticeable advantage to the producer is in the saving of much of the cost incidental to selling at an open market. There are no terminal charges on shipments into and out of the concentration station, and no commissions to be paid, as the transaction is directly between the buyer and seller with no third party intervening. These incidental charges to marketing animals at a stockyard are considerable. For instance, at the Chicago stockyards the shipper is subjected to the following charges on hogs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal charges per car</td>
<td>$2.00</td>
</tr>
<tr>
<td>Commission per car</td>
<td>10.00</td>
</tr>
<tr>
<td><strong>Total per car</strong></td>
<td><strong>12.00</strong></td>
</tr>
</tbody>
</table>

To this must be added the following items:

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspection per head</td>
<td>$0.15</td>
</tr>
<tr>
<td>Yardage per head</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Total per head</strong></td>
<td><strong>0.23</strong></td>
</tr>
</tbody>
</table>

To reduce these costs to the average amount per animal or per 100 pounds is difficult, as it is difficult to state with accuracy the average number of hogs to a carload, or the weight of the average hog. An estimate of the above-mentioned expenses per car has been made, however, based upon a report of the Union Stock Yards & Transit Company, submitted to the Interstate Commerce Commission, which indicates that the average terminal charges are 11.8 cents per 100 pounds. On this basis the cost of transferring animals from seller to buyer for a single-deck car, loaded to the minimum of 17,000 pounds, would be approximately $20. The costs at a concentra-

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(2). Ibid. p. 111.
tion station amount to much less, since practically the only expense are such as the feeding and watering of the animals entails. This work is done by the buyer, as such duties are not assumed by the carriers. Loading and unloading are also done by the buying company. The entire costs of buying and selling through a transit point has been estimated to amount to about $3 per car, this showing a saving of at least $17 a car on animals sold at concentration stations. This saving in the cost of buying and selling may be considered a mutual advantage to both parties in the transaction over a centralized market. Such a method of disposing of stock necessarily precludes the payments which are made to commission men are opposed to this method of marketing stock.

"in Iowa, and in adjacent parts of neighboring States, most of the producers of live stock who have access to the concentration stations enjoy the competition that exists between these stations and several independent packing plants located in this section. The principal independents in this section who slaughter a sufficient number of animals, particularly hogs, to afford producers a constant market, and who are active competitors of the big packers concentrations, are:

John Morrell & Co., Ottumwa, Iowa
Rath Packing Co., Waterloo, Iowa
Iowa Packing Co., Des Moines, Iowa
Jacob Decker & Sons, Mason City, Iowa
George A. Hormel & Co., Austin, Minn.

Thus most of the producers and shippers in this territory in addition to having a choice between the stockyards markets and the concentrations have the advantage of competition between these and the independent plants. This gives the producer in this, the most productive live-stock producing section of the country, a better market outlet than obtains in other parts of the country."

The Commission added that in those sections of the corn belt where the producers may choose between a stockyards market and the country buyer (either the big packer or the independent) there is apparently no division of territory.

These statements are most significant even though somewhat contradictory to those previously cited. Occurring as they do in a report which denounced the activities of the big

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packers in such strong terms would seem to prove beyond any doubt that keen competition for hogs existed in Iowa at that time, during the decade prior to the World War.

The fact that the Federal Trade Commission took cognizance of direct marketing is added proof that the practice was at the time a vital factor in the marketing of hogs. The further fact that it found that there was apparently no division of territory in the country would indicate that the packers had established the country buying stations in the normal procedure of business. It should be noted that the concentration points mentioned had been established before 1919 and the Packers and Stockyards Act was not passed until 1921. It should also be noted that the Federal Trade Commission criticised and condemned the terminal marketing practices of the packers and accused them of agreed divisions in the terminal marketing places.

5. The Packers' reply.

Swift and Company presented their viewpoint of the investigations by describing it as one sided since the Federal Trade Commission "presented only such information as could be used by means of wrong interpretation and insinuation to make out a case against the packers." (1)

The company denied that it had agreements or understandings with other packers to effect prices of livestock or meats and contended that the Commission had failed to prove its case.

In discussing the question of stockyards ownership by the packers Swift pointed out that "the principal reason why packers have become interested in yards at all has been to develop them to the highest degree of efficiency."

"In addition to the weaknesses alluded to above, it is often claimed that the financial interest in some of the stockyards by packers is unfortunate. As a matter of fact, the principal reason why packers have become interested in yards at all has been to develop them to the highest point of efficiency. When a livestock market is young and undeveloped, the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments, and to provide facilities for the proper handling of animals,—and this the packers have done.

"Since the primary desire of the packers in connection with stockyards is efficient service, Swift & Company would be perfectly willing to relinquish such financial interests as it has in stockyards, provided it can be assured that the present high standard of efficiency in operation be continued.

"Furthermore, if the Federal Trade Commission should discover any features of stockyards management and operation which are unsatisfactory, Swift & Company will be glad to cooperate to the fullest extent in their improvement." (1)

Armour and Company pointed out that in the Federal Trade Commission investigations "at no time and under no circumstances have ARMOU R AND COMPANY, or any of their

representatives, been given the opportunity, or the chance, or even the privilege of either answering, or explaining, under oath or not under oath, any of the charges or matters to which I have just made reference." (1)

"My position relative to ownership of the stockyards is this: As a packer, I am interested in seeing the yards handled in the most efficient way possible and it is absolutely immaterial to me as to who owns them." (2)

6. The Packers' Consent Decree. The Packers' Consent Decree was the first tangible result of the investigation. When the sensational charges of the Commission were published congressional committees began hearings and the packers became targets for renewed governmental investigation and were subjected to questioning. The United States Department of Justice received certain testimony of the packers and "after devoting several months to an examination of these data, it was determined that there was evidence of violations of the Sherman Law." (3)

Legal maneuvers between the United States Department of Justice and the packers resulted in the Packers' Consent Decree.

On February 27, 1920, the government filed "a bill in equity in the Supreme Court of the District of Columbia" against 135 defendants, including 85 corporate defendants and 50 individual defendants. (4)

(2). Ibid. p. 27.
(4). Ibid. p. 36-37.
Among other things the Decree provided that the packers "would dispose of all their interests in stockyards, stockyard terminal railways, stockyard publications, and that they be perpetually enjoined from ever again holding interests in such stockyards, terminal railways, or market publications with a single exception that if it should be made to appear to the satisfaction of the court that in order that the defendants might dispose of such stockyard interests as they now have it is necessary that some one or more of the individual defendants should retain some interest therein, the court may permit such individual defendants to retain such interests, provided that no defendant nor all defendants jointly shall at any time have a controlling interest in any such stockyards or stockyard terminal railways.

"That the corporation defendants be perpetually enjoined and restrained from permitting any of their distributive systems and facilities, including their branch houses, route cars, and auto trucks, or any of them, to be used in any manner for the purchase, sale, handling, or distribution of what are known as the side lines, such as groceries, canned fish, vegetables, etc., into which lines the packers had made very serious inroads." (1)

The Decree also forbade the defendants from engaging and handling side lines, operating retail meat markets, retaining any interests in public cold storage warehouses, or tending to monopolize trade or commerce.

On January 5, 1931, the Supreme Court of the District of Columbia directed a modification of the Consent Decree and an order was entered on January 31, 1931, to modify the Decree to permit manufacturers to sell at wholesale and distribute so-called disposition lines. (2)

The case went to the United States Supreme Court and final disposition of it was reported by the Attorney Gen-

(1). Ibid. p. 37.
eral in two significant paragraphs:

"During the year (1932) three cases of considerable importance argued before the Supreme Court of the United States, all of which were decided in favor of the Government.

"In the case of United States v. Swift and Company et al., the Government and the wholesale grocers, as intervenors, appealed from the order of the Supreme Court of the District of Columbia modifying the Consent Decree entered on February 27, 1920, to permit the packers to manufacture and sell at wholesale and to redistribute unrelated food lines. The appeal was argued in February and on May 2, 1932, the United States Supreme Court reversed the modified decree. A final decree on mandate was entered granting the Swift and Armour groups of defendants one year within which to dispose of unrelated lines, and a trustee was appointed to dispose of Swift interests in Stockyards companies." (1)

The Packers' Consent Decree now stands as a classic example of the conflict between legal and economic interpretation. Legally the big packers were in jeopardy having been convicted of violating the Anti-Trust Law. Economically the very violation of that law might be the strongest example of economic efficiency. In a few years after its adoption large national chain stores were performing some of the identical operations which the packing companies, by agreement with the Government, were not allowed to do. The legal view, based upon the Statutes and previous decisions of the courts, prevailed instead of the economic view, based upon economic consequences and results. In other words it was an example in which lack of economic understanding or

lack of the application of economic theory to a practical problem resulted in legal procedure which has proven detrimental to the hog business. Any limitation upon the probable expansion of consumption is most harmful to the industry.

From the economic standpoint the operation of the Packers' Consent Decree is of little importance. The net result is that the privilege of dealing in meats and groceries was denied one group and there immediately sprang up other sales organizations to perform these operations. The public neither gained nor lost unless there was an economic loss incident to the taking place of the change.

The logical nation-wide development of a system of marketing which could not be practised by a competitor because of legal restriction is an outstanding example of the failure of legal procedure to keep pace with economic concepts.

Having followed the Packers' Consent Decree to a final conclusion we now return to the Packers and Stockyards legislation which was the direct outgrowth of the report of the Federal Trade Commission.


The Federal Trade Commission report recommended, among other things:

"That the Government acquire, through the railroad administration, the principal and necessary stockyards of the country, to be treated as freight depots and to be operated
under such conditions as will insure open, competitive markets, with uniform scale of charges for all services performed and the acquisition or establishment of such additional yards from time to time as the future development of live-stock production in the United States may require. This is to include customary adjuncts of stockyards." (1)

Following the publication of the Federal Trade Commission Report and the Consent Decree public sentiment ran high against the packers. The legislative result of such feeling appeared in the passage and approval on August 15, 1921, of the Packers and Stockyards Act. (2) It vests in the Secretary of Agriculture certain regulatory authority over the packers, stockyard owners, market agencies, and dealers. This regulatory authority extends to the business of packers done in interstate commerce, whether their activities are carried on at the public stockyards or elsewhere. Packers subject to the jurisdiction of the Act are prohibited from engaging in unfair, unjustly discriminatory, or deceptive practices; from doing anything to restrain competition; or from establishing a monopoly. At the present time there are 952 packers and 93 stockyards subject to the jurisdiction of the Act. (3) A stockyard is defined by the Act as a place commonly known as a stockyard which is conducted for compensation or profit as a public

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market, consisting of pens and exposures for holding, selling, or shipping of livestock in interstate commerce. Its contains an area of 20,000 square feet or more. When upon investigation the Secretary finds that a stockyard meets all these requirements, the yard is posted as a public market and due notice given to the stockyard owner and to the public. Ordinarily facilities furnished by a stockyard owner consist in the holding, feeding, weighing or otherwise handling of livestock in commerce.

There are now located at the public stockyards 1,395 market agencies, whose services consist in the buying and selling of livestock on a commission basis or furnishing other stockyard services. In addition there are 4,341 dealers engaged in the business of buying or selling livestock at the public stockyards, either on their own account or as employees or agents of others. (1)

The market agencies and dealers are required by law to register with the Secretary of Agriculture, showing the place and character of the business conducted. The law provides that the regulations and practices of stockyard owners, market agencies, and dealers must be just, reasonable, and nondiscriminatory. They are prohibited from engaging in any practice which is unfair, unjustly discriminatory, or de-

ceptive. Stockyard owners and market agencies are required by the Act to furnish reasonable service upon request. Schedules of rates and changes in the schedules can be made only after due notice to the Secretary and to the public. The rates and charges for services must, according to the law, be just, reasonable, and nondiscriminatory.

By amendment to the Agricultural Appropriation Act the Secretary is also authorized to require bonds of market agencies and dealers to secure the performance of their obligations, and to suspend a registrant for a reasonable specified period after a hearing has found that he has violated the Act or is insolvent.

The Secretary has authority to hear complaints or to institute inquiries on his own motion with reference to rates or practices of any of the agencies subject to the jurisdiction of the Act. He can determine and prescribe reasonable rates and practices and prohibit the use of practices found to be in violation of the Act, rates found to be unreasonable or discriminatory.

The Secretary has authority to require special and annual reports from the various agencies subject to the provisions of the Act. Authority is conferred upon him to investigate the books, records, and accounts of the various agencies and to prescribe the method in which such records shall be kept should it be found that they have not properly
disclosed all transactions involved in their business.

Under the Act certain rules and regulations have been promulgated by the Secretary. They have to do with such matters as the proper weighing, feeding, and handling of livestock, and the rendering of true and correct accounts to the shippers.

For the purpose of administering this law the Secretary created a separate organization known as the Packers and Stockyards Administration, represented by a staff of assistants in the field as well as in the Washington office. Auditors assist the supervisors in making special investigations and in conducting systematic audits of the books and records of the agencies at the markets.

The duties of the supervisors are to engage in such activities as will enable them to determine whether the agencies at the markets are complying with the various requirements imposed upon them by the Act with reference to their rates and practices. The scope of activities of the supervisors at stockyards includes such features as the investigation of complaints made by shippers and others concerning service; the sale price or weight of livestock; complaints by and between market agencies, dealers, and stockyard companies; sale and disposition of crippled livestock and dead animals; operations of packer buyers and traders; and similar related activities.

The administration has two weight supervisors who are
scale experts. Their duties consist in bringing about conditions to insure accuracy in the weighing of livestock at stockyards. It is their purpose to see that the scales used are suitable, are properly tested and maintained, are accurate, and are properly used. The weight supervisors work in cooperation with stockyard companies and with city, state, and commercial scale-testing agencies.

The problems arising in the Packers and Stockyards Administration may be handled by formal or informal methods. Many questions can be satisfactorily disposed of without formal proceedings. Numerous questions present themselves in a way that makes it necessary for the Secretary to institute formal proceedings to permit a formal order in accordance with the provisions of the law. The aim is to handle all matters in such manner as will be most helpful to the livestock industry. (1)

The law was attacked in the courts but was sustained. Chief Justice Taft delivered the opinion of the Supreme Court of the United States as to the constitutionality of the Act in providing for the "supervision by federal authority of the business of the commission men and of the livestock dealers in the great stockyards of the country." (2)

The opinion recited that "The packers and stockyards act

of 1921 seeks to regulate the business of the packers done in interstate commerce and forbids them to engage in unfair, discriminatory or deceptive practices in such commerce, or to subject any person to unreasonable prejudice therein, or to do any of a number of acts to control prices or establish a monopoly in the business. It constitutes the Secretary of Agriculture a tribunal to hear complaints and make findings thereon, and to order the packers to cease any forbidden practice. An appeal is given to the circuit court of appeals from these findings and orders. They are to be enforced by the district court by penalty if not appealed from and if disobeyed. Title III concerns stockyards and provides for the supervision and control of the facilities furnished therein in connection with the receipt, purchase, sale on commission basis or otherwise, of livestock and its care, shipment, weighing or handling in interstate commerce." (1)

a. The Mistletoe Case. One of the first cases to come before the Secretary of Agriculture under the new Act was the famous Mistletoe Case. This case has become classic during the past decade in the debate on direct marketing of hogs in the corn belt states. Some Iowa hogs go to that market. It, therefore, has a direct bearing upon the hog marketing situation in Iowa.

When the Fowler Packing Company was organized its plant was located about a mile from the public stockyards of Kansas City. At that time the company sought to get the stockyards company to construct a viaduct for the purpose of running hogs over to their plant, but were unsuccessful in doing it, and the result was that in order to get their supply of hogs they were compelled to go out and buy direct from the producers or shippers or dealers in hogs, and they established the practice that has since prevailed and that now prevails; that is, of making arrangements with some dealer or shipper of hogs at a given point to ship his hogs to them under no contract or agreement whatever that he should ship all his hogs to them, but

(1). Ibid. p. 50.
nevertheless that they should have a substantial portion of the hogs." (1)

By making arrangements with various shippers all through the territory they were able to receive a supply of hogs to operate the plant. "It could not make its purchases on the Kansas City stockyards because it had no viaduct over which to drive its hogs unless it constructed a viaduct itself, which it did not see fit to do, or unless it drove its hogs for a mile over the streets, which was an impossible thing." (2)

Another important fact to note was the character of the business of the company. They had established an export business under the brand "Mistletoe" in the English market. This trade required certain kind and grades of hogs, "lighter hogs for bacons and hams and meats of that character, and they gave them certain cures which were acceptable to the people over there, and the business of this company has been operated very largely in that way ever since that time and down to the present time, taking care of an export business primarily." (3)

The methods of handling shipments of hogs at the plant are very simple.

"When hogs are received at the Fowler plant they are first weighed by a man representing the Western Weighing and Inspection Bureau as they get off the car. That weight is recorded." (4)

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"The country shippers buy on their own account and ship to Fowler. (1)

"The understanding is that the Fowler Packing Company will take the hogs that they ship to them but they can ship as many or as few as they want." (2)

As a matter of business convenience the company has been able to get its shipments from what might be termed regular shippers. In this way they are able somewhat to determine the volume they are going to receive.

After the hogs are reweighed and the high weight given to the shipper, they are sorted and graded by representatives of the Fowler Packing Company and then a price placed by them on the hogs in connection with each shipper. That price is understood to be, and the aim is to give, the average market price on that day in the Kansas City hog market. Then a report is made of the weights and grades and it forwarded with the check covering the consignment to the hog shipper. (3)

The fact that this company could receive shipments in sufficient volume to maintain its plant and the fact that they had "shippers which had shipped for twenty years" would indicate trading arrangements were satisfactory.

The English market absolutely demands that bacons and hams and other meats shipped there shall be free from whip bruises and other injuries. (4)

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(2). Ibid. p. 40.  (4). Ibid. p. 44.
They will not take meat that is affected by bruises or injuries. The Fowler Packing Company knows that to drive the hogs over the viaduct, about a mile, subjects a certain percentage of them to injury from bruises and makes them unfit for the export trade which is practically the exclusive business of the Fowler Packing Company. That was one additional reason why the company desired to conserve its business as it has been operated heretofore. It got its hogs by train right at the pens, where they were taken care of by them personally, instead of by miscellaneous men in the public stockyards, with an eye to the necessity and character of the business that they were conducting; then they were driven only a short distance over to a packing plant, and in that way the hogs were in better condition; they were not overheated in the summer time because of long drive, not subjected to injuries; and they were to a high degree and in a greater percentage fit for their export market. (1)

After a complaint had been filed by the commission men in Kansas City the Secretary of Agriculture on October 11, 1923, asked for an opinion from the Attorney General regarding the status of the Mistletoe yards "as to whether or not a stockyard known as the 'Mistletoe Stockyards' in Wyandotte County, Kansas, is a stockyard as the same is defined in the

(1). Ibid. p. 45.
'Packers and Stockyards Act', 1921." (1)

On November 23, 1923, the Attorney General ruled that

"The Mistletoe Stockyards in Wyandotte County, Kansas, is not a 'public market' within the meaning of the Packers and Stockyards Act, 1921 (42 Stat. 159), but the same is a private stockyard operated as an Adjunct of, an appurtenance to, and a facility of the packing plant of the Fowler Packing Company." (2)

The Attorney General arrived at his opinion from the following facts:

"No livestock other than hogs are received at the Mistletoe Stockyards.

"There is no exchange building at the Mistletoe Stockyards, there are no commission men, traders or speculators upon those yards, and all hogs shipped to, and received in those yards are consigned to the Fowler Packing Company.

"The Fowler Packing Company claims the right to refuse to receive shipments to such yards in any instances where it so desires, and does not invite the public generally to ship hogs to such yards.

"No purchasers are permitted on the Mistletoe Yards other than the buyers of the Fowler Packing Company and if the owner of the hogs does not accompany them, the price determined in the above manner prevails, and the title passes to the Fowler Packing Company and when the owner of the hogs accompany them to the Mistletoe Stockyards, which is rarely the case, the owner, if dissatisfied with the price, may remove the same from the stockyards and take them elsewhere for marketing.

"The Fowler Packing Company fully discloses and represents to the shippers to the Mistletoe Yards the nature of the trading upon such yards; that no commission men, speculators or traders are permitted to deal there; and that there is no competition in such trading." (3)

(2). Ibid. p.32.
(3). Ibid. pp. 33-34.
When the Attorney General ruled that the Mistletoe Yard was not under the jurisdiction of the Packers and Stockyards administration the Secretary made no attempt to post it. Certain livestock interests became active in 1924 in promoting the passage of an amendment which would place such a yard under the Packers and Stockyards administration but they were unable to secure the desired legislation. There followed an attempt to transfer the administration of the Packers and Stockyards Act to the Federal Trade Commission. A broader line of attack ensued when an attempt was made to put all direct marketing under the supervision of the Act. Hearings were held in which a great deal of testimony was produced for both sides but no amendments were added. A third attempt in 1928 likewise proved futile.

Attempts were repeatedly made to amend the Packers and Stockyards Act so that its administration would include country buying stations. The core of the arguments was that regulation on the public markets and lack of regulation off the public markets were responsible for the decline in hog prices. Thus John B. Gage, an attorney for the Livestock Exchange, argued before the House Committee on Agriculture:

"The direct buyer can vary his price from time to time, but the opportunity to do this in like fashion is denied to the competitive market operator by reason of the prohibitions in the act against discrimination." (1)

Another typical illustration is the testimony of Walter P. Neff, editor of Daily Drovers Telegram, in which he said,

"...I come to this committee with the conviction that the hog producers, which is to say the farmers of this country, are now face to face with not only an impending but an actual existing calamity in the direct purchase of hogs by packers, large and small. By direct buying of hogs I mean buying that is not effected in any one of what are known as open, competitive public markets, where all the prospective buyers of hogs congregate daily and compete the one with the others for all the hogs available for that day's barter.

"I would like to have this committee appreciate the fact that the problem of the direct buying of hogs is a problem of most concern to the producer of hogs. I propose to speak for the actual producer. I am not concerned with the well-being of the stockyards company, who, by the diversion of hogs direct to the packing house, are losing fees for yardage and profits from the sale of feed. I am not speaking of the commissions that are lost to commission companies. But I do want to present to the committee some facts and some observations that to me are conclusive proof that the American hog grower is not receiving all his hogs are worth because of direct buying." (1)

"Gentlemen of the committee, 5,000,000 producers of hogs in the United States are looking to Congress to change this situation and are praying that legislation may come to their rescue speedily to restore the public markets to their former state. They have faith that the wisdom of Congress will fashion the Capper bill so that 100 per cent competition will greet their hogs from a 100 per cent demand." (2)

After the conclusion of the testimony a United States Senator said, "Mr. Neff, you have made a very strong and very clear presentation." (2)

Perhaps this type of testimony and its effect upon some

(2) Ibid. p. 29.
of the Congressmen may have been partly responsible for the adoption of a code of trade practices late in 1929.


The purpose of the Code was the "elimination of unfair and uneconomical practices among packers and wholesalers, with respect to classes of products of which the American packing industry is the predominate manufacturer, and with respect to livestock of which it is the chief purchaser." (1)

The Code provides for the establishment of a one day price which shall be chosen when the trade is made. Secret allowances of any kind to sellers of livestock are forbidden, price discrimination or favoritism to any individual organization is forbidden, and term sales are declared an unfair practice. This trade practice conference was called by the Secretary of Agriculture and at least 95 per cent of the industry, based on gross sales, was represented and voted unanimously for the Code. (1)

The Code has been applied and is being used in country buying operations in Iowa.

The advocates of further regulation of the industry should remember that the principal activities of the Packers and Stockyards administration have been along the lines of regulating commission and yardage rates. The investigation of practices of commission men and yard traders at the ter-

minals has constituted the major work of the administration. Audits of stockyard firms have been freely made. None of these activities occur in the country markets.

There has been much unnecessary argument on both sides of the question. In the first place the packers are unduly alarmed at the consequences of the extension of the Act to country buying. It is difficult to imagine the positive harm which they fear. The Act would have to be administered sanely and without prejudice or it would fail of its own accord. The most substantial argument against its extension would be the cost of supervision. The fact that the packers on October 22, 1929, voluntarily accepted an invitation issued by the Secretary of Agriculture and adopted a stringent set of trade practices indicated that they believed a certain amount of control to be necessary.

Incidentally, the records and memoranda of the packers are not available to the Packers and Stockyards Administration, "without process of law in some pending proceeding." (1)

c. Resolutions of the corn belt states. When Congress failed to enact amendments to the Packers and Stockyards Act to extend control to country buying points a number of corn belt state legislatures passed, in the early part of 1929, a series of resolutions calculated to force the issue. The

resolutions of the various legislatures are so nearly identical that it cannot be questioned but that they were motivated from the same source. The fact that they were passed about the same time would indicate that there was an organized attempt to place the various legislators of the corn belt states behind a movement to curb direct marketing of hogs. The resolutions as passed in the Iowa State Legislature follow:

"WHEREAS, The live stock producers of this country are, from justice and necessity, entitled to a market for the sale of their livestock, which will insure most advantageous results to them governed either by the natural laws of competition and supply and demand or some other system equally effective; and,

"WHEREAS, During the last few years there is in existence a system of direct or private buying that has so expanded as to endanger, in the opinion of many, the open competitive live stock markets which have been built up in this country over a period of fifty years; and,

"WHEREAS, It is the opinion of the vast majority of the stock growers that, if the open competitive markets do not prevail, the direct or private system of buying is, as it operates today, dangerous to the live stock interests of the country; and,

"WHEREAS, Approximately 40% of the hogs now being shipped to the big terminal markets are bought in the country by packing agents and shipped to private stock yards and by this system are kept out of the competitive market.

"THEREFORE, BE IT RESOLVED, The Senate Concurring, That our representatives in congress are hereby requested and strongly urged to conduct a thorough and fair investigation of the questions of marketing live stock in all of its phases, especially with respect to the setting up of some form which will be satisfactory to live stock producers if the competitive market is becoming obsolete; such investigation to be made on a basis which will inspire confidence in the conclusions and result among the producers, and the consumers, and
the packers, the stock yards and all other marketing agencies; that will tend to settle adequately the questions which have perplexed the country and congress so much in the past, concerning marketing problems of the live stock industry.

"BE IT FURTHER RESOLVED, That a copy of this resolution be sent to each of our representatives in Congress." (1)

Minnesota, (2) Kansas, (3) and Nebraska, (4) passed similar resolutions. In the meantime M. W. Borders was actively engaged in making speeches against direct marketing at meetings of farmer's organizations and of other organizations. He made a speech before the Texas State Bankers Association and as a result the Association passed a resolution condemning the practice of direct marketing. (5) It is most significant that the Minnesota resolution requested Congress to provide for an investigation by the Federal Trade Commission.

It is evident that an attempt was being made to crystalize public opinion outside the industry of agriculture in an effort to influence legislatures to curb direct marketing practices.

Some light on the reason anti-direct marketing legislation was unsuccessful may be found in the fact that farmers' organizations were divided upon the merits of the amendments. That view is ably presented by an editorial in the Kansas City Star.


"It is difficult to follow the argument of officers of livestock associations. The Western Marketing Association wants the packer to come to the ranch to make his purchases, while many of the midwest livestock associations have indorsed a bill, sponsored by Senator Capper, which would prohibit packers from making purchases except on the central markets.

"There are co-operative selling organizations on all the leading livestock markets. On most of them there are two or more actively competing with each other for livestock shipments. One of the big problems before farm organizations is to get co-operatives to co-operate with each other.

"Marketing agencies maintain that without central markets to establish values livestock producers would be at the mercy of packer representatives. Just how the government can satisfy two groups of livestock men advocating methods diametrically opposed to each other is difficult to understand."

"Agriculture needs real leaders, well versed in facts, who can present their arguments in a logical manner. The problem is economic rather than political." (1)

It is obvious that this farm paper struck the keynote of the central reason for failure to secure some of the proposed amendments.

8. The Agricultural Marketing Act.

Efforts to amend the Packers and Stockyards Act were halted by a new legislative act. The passage in 1929 of the Agricultural Marketing Act led to the formation of the National Livestock Marketing Association. A part of the plan called for the organization of associations which would market livestock direct. A revolving fund of $500,000,000 had been

placed at the disposal of the Farm Board and the National Order Buying Company was organized with money from this source.

Late in 1930 a case involving direct marketing came before the Packers and Stockyards Administration. It arose from the activities of the National Order Buying Company at the National Stockyards.

Certain "old line" firms were accused of "participating in unfair and unjustly discriminatory practice in violation of the Act, viz., concerted and individual wrongful refusals to do business with the National Order Buying Company and the Producers Livestock Commission Company at the Stockyards.

"The Secretary found that plaintiffs were participating in an illegal boycott as charged; ordered plaintiffs to desist therefrom and suspended their registration as market agencies for a period of 90 days. A temporary injunction against the suspension was granted by this Court." (1)

"The enforcement of the Act with respect to matters involving unfair and unjustly discriminatory practices is strengthened considerably by this decision, which was not appealed by the respondents." (2)

In 1932 organizations of livestock interests appeared before the Committee on Agriculture in the House of Representatives and formally filed complaints in which they contended that the United States Government had attempted to set up a direct marketing organization. Charles A. Wilson, President of the Chicago Livestock Exchange, in speaking before this committee said, "About 25 years ago, certain of the packing

interests got tired of meeting each other in face-to-face competition for the livestock that they slaughtered, and began to slip out into the country and buy stuff on non-competitive conditions, and they have continued that to a considerable extent.

"Upon the passage of the Packers and Stockyards Act, which placed so much control over the packers, at the stockyards, but it did not place any Government supervision over the packers in the country, there was a tremendous incentive for the packers to go to the country and purchase their livestock, and they did, to a large extent, and thereby to that extent, eliminated competition from the markets." (1)

"Now, about a year ago, the Farm Board started out on the program of what they called decentralization of livestock marketing, especially on hogs, and they went out to certain places in the States of Ohio, and Illinois, and Iowa, and established local concentration points, operating just the same as the packers' concentration points in the country, getting the hogs in there, and the prices have been out of proportion to the markets.

"They have telephoned all around the country and gotten orders from the outside packers from the East, who are the source of the most competition on the terminal markets, with the packers, to take their competition out of the markets, and that is repeating the packers' plan for depressing prices by direct buying. There you have the paradoxical situation of the Farm Board using its funds to depress the price of hogs."(2)

9. Recent attempts at state legislation.

Five bills were introduced in the Iowa General Assembly in 1933 having as their major purpose the regulation of direct marketing activities. Two of the more important bills provided for "the licensing of direct buyers, and providing for the feeding and watering of livestock purchased by them" and to provide for "the weighing, feeding, docking and watering

(2). Ibid. p. 5.
of livestock at packing plants, slaughtering houses and concentration points."

Terminal stockyards were specifically exempt from these proposals. It is significant that none of them were enacted into law. Somewhat similar bills have been introduced in neighboring states but latest information reveals that none of them have become law, although gubernatorial veto prevented a grading and weighing bill from becoming a law in North Dakota.

This concerted effort to enact laws of similar nature and phraseology indicates that they originated from the same sponsors. The public statement of the sponsors of the bill are to the effect that the hog producer is receiving $1.50 to $2.00 per hundred pounds under what he would receive for his hogs if they were all sold on open and competitive markets.

The charge that direct marketing of hogs lowers the price level of hogs has been repeatedly made and around this charge has been built the campaign to enact legislation calculated to regulate, curb, or abolish direct marketing. We will discuss the price factor later.

In conclusion, direct marketing of hogs in Iowa has persisted even though checked by one or two unfavorable decisions of the Interstate Commerce Commission. The investigations into the packing industry have not affected the development of direct marketing materially. Rather they have tended to show pretty conclusively that direct marketing has been an
influencial factor in Iowa hog marketing for the last forty years. The investigations have indicated there is more grounds for belief that the Anti-Trust Act had been violated in the case of beef rather than pork operations. In other words the principal basis for the alleged monopoly on meat did not come from the hog marketing section of the industry. The fact that small and interior hog slaughters have always been a factor in Iowa may indicate why the alleged monopoly did not extend into the hog business as much as into the beef business. The fact that the Federal Trade Commission saw fit to point out the advantages of country buying is a most significant contribution. The Packers Consent Decree has settled once and for all that the big packers cannot own terminal stockyard facilities. They can own and operate their own stockyards off the terminal market. The attempt of the different interests to bring these private yards under the administration of the Packers and Stockyards Act is in itself an interesting development in agrarian politics in the United States during the past decade. The passage of the Agricultural Marketing Act and a subsequent plan of direct marketing development in Iowa form a new link in this national experiment. The vigorous attempts which have been renewed from time to time to bring about legislative enactment which tends to curb direct marketing indicate the reliance placed on legislation to combat an economic institution. The analysis of the
proposals lead one to conclude that efforts toward an economic program would be more useful to all interests concerned.

It is noteworthy that all three branches of the government, executive, legislative and judicial, have been confronted with the direct marketing problem in some phase for the past half century. This is in itself an indication that direct marketing has been constant issue before the Iowa hog producer. It is further evidence that at no time has the development of the system of direct marketing been entirely free from some sort of government investigation, supervision or regulation. It indicates very clearly that the hog producer who faces the issue of direct marketing today is facing the same issue, perhaps in a different phase, that has faced the Iowa farmers for the past half century.

Governmental activities have entered into the development of direct marketing in Iowa for nearly fifty years. The decisions of the Interstate Commerce Commission in the J. P. Squire and the Board of Trade cases definitely established the rule that the freight rate on live hogs should be less than that on fresh meat. The J. P. Squire decision, no doubt, helped to maintain the firm in the business of concentrating hogs in Iowa; the Board of Trade decision, no doubt, hastened the extinction of some of the smaller plants in Iowa.

The influence of governmental regulation upon direct marketing has been overemphasized both by the opponents and the
defenders of the system of direct marketing.

The most important effect of the discussions has been to advertise the importance of this system of marketing. In general the extension of government regulation to the country buying points has been favored by terminal marketing agencies and farm organizations having interests in terminal commission associations, while the opposition has been composed of packers, country hog buyers and commodity marketing organizations. Curiously enough the packers acceptance of the Code of Ethics at a conference called by the Secretary of Agriculture extends governmental authority over the country buying practices.

The vigorous attempts by terminal marketing agencies to force extension of the Act indicates great faith in legislation as a regulator of economic practices.

The frequently recurring investigations into the packing industry for over a period of forty years have been effective in bringing before the public many of the details of this great industry. The investigations have resulted in passage of an act, regulatory in nature, which undertakes to improve the economic condition of the industry. The investigations and the resultant Act appear to have been necessary in order to collect for public use certain data formerly considered private.

The packing industry is of such magnitude and handles products almost universally consumed so that it is but
natural that it should become the target for critical inves-
tigators during an era of "trust busting." It should be
remembered that this was during a period of rising prices
and increased food costs brought urgent demands from the
consuming public that "something be done about it." At the
same time livestock producing interest were protesting a-
gainst market conditions.
E. The Channels of the Direct Marketing System.

1. The Channels described.

The middleman has been attacked and his profits decried by both producer and consumer. The farmer blames the middleman for his low prices and the consumer holds him responsible for high prices. Attempts have, therefore, been made to dispense with the middleman in the belief that greater profit could be made by the producer. While the middleman has been partially displaced it does not mean that his services have been abandoned, but rather that the producer has attempted to perform those services for himself either individually or through some organization in which he was holding membership.

The early Iowa farmer drove his hogs across the unsettled country and bargained with the merchant or packer for their sale without the aid of a single middleman. This was a simple case of direct marketing. Under a terminal marketing system the Iowa farmer keeps posted on one or more central markets, such as Chicago, or Sioux City, by reading the newspaper, gets last minute market information over the radio, and telephones the truck operator to come and haul his hogs to a terminal market or to the railroad station. At the latter point the manager of the livestock shipping association may take charge of the loading into the cars and the billing to a commission man at Chicago. A local buyer might buy the hogs from the farmer; the railroad company haul them to the
public market, say at Chicago, where they are turned over to the terminal switching company; it, in turn, delivers them to the stockyards company at the unloading chutes, where they are turned over to the commission man who drives them to the pens furnished by the stockyards company. He orders feed from the stockyards company, cares for the hogs, exhibits them to the packer buyer or some other buyer in the yards, and sells them. Then the proceeds are remitted to the consignor, after expenses have been deducted.

Somewhere between these two extremes will be found the present day system of direct marketing. When we eliminate the extreme of the pioneer farmer the problem becomes a question of how many specialists the producer can profitably employ to assist him in marketing his hogs.

The commission man made his appearance in the hog trade when the first commission firm began to operate at Chicago in 1857. This new factor in the consignment selling of livestock was the outgrowth of the practice of the drover or going to the market and selling his own livestock. Having made a transaction he knew the going market price and began to develop the idea of charging a fee for passing this information on to other drovers or farmers. In that time of poor market news they gladly paid for this service. Thus developed the work of the commission man which has since been an important factor in the livestock markets at the terminals.
At no time in the history of the state, however, has the commission man at the terminal stockyards sold all of the Iowa hogs. Many Iowa producers have continuously performed the selling functions for themselves off the terminal market or have joined associations over whose internal policies they had control.

Efforts toward the elimination of middleman appeared in the Grange movement of the early seventies and we learn that "farmers of this state raise every year a great number of hogs, that have always passed through the hands of at least one middleman before they have reached the packers. The Granges in some parts of the State (Iowa) concluded, last year that they might as well sell directly to the packers themselves, and appointed one of their members to collect the hogs and deliver them. A considerable saving was made in this way, and the experiment will be much more extensively tried this fall. In some parts of the State (Iowa) the Granges are already talking of establishing their own packing houses, so that, instead of selling the hogs alive, they can sell them in the shape of bacon, hams, and lard, packed and ready for shipment. They hope to realize much larger prices than by the old system.

"Another experiment, which was tried to a limited extent last Spring, and was attended with a gratifying degree of success, was the direct shipment, by members of the Grange in this state, of provisions to planters in the South, who are members of the Grange there. This business was managed by Mr. Shankland of this city, a member of the National Executive Committee of the Grange. He received orders from Granges in South Carolina, accompanied by the cash, and purchased flour and bacon, which he shipped directly to the consumer. The purchases were made of the farmers when it was possible to do so, and when not, of the packers and millers in this city. The shipments were made by rail, by way of Cairo, Hickman, Kentucky, Nashville, Chattanooga, and Atlanta, to Columbia, two transhipments being made on the route. The railroad companies made special rates at from $1.08 to $1.15 per hundred pounds. Bacon was thus laid down at Columbia, South Carolina, at less than eight cents a pound, while its market value there was from 12 to 14 cents a pound. One planter informed Mr. Shankland that
he saved by this plan $400 on a single carload of flour and
bacon. Only twenty-three or twenty-four car-loads of pro-
visions were shipped in this way last Spring, for the reason
that these transactions are all between members of the Order,
and the Grange had not at that time become much of an insti-
tution in the Southern States. There are now in the South
597 Granges, outside of Missouri, and it is expected that the
number will be increased too at least 1000 by Spring. By that
time it is also hoped that the Granges of this State will have
established a number of packing houses and perhaps a few mills,
so that they will be able to ship provisions directly to South-
ern consumers without them passing through the hands of any
middleman. There is no doubt that a large business of this
kind will be done next year." (1)

It is most significant that even at that time farmers
were attempting to set up selling organiza
tions in Iowa.
When we consider that Iowa and South Carolina had been at war
less than a decade previous it is rather remarkable that farm-
ers in one section of the United States would send cash in ad-
vance to farmers in another section. It indicated a class con-
sciousness irrespective of sectionalism and the fact that the
railroads made special rates gave early proof that volume of
business was an important factor in securing price and service
concessions.

With the dying down of the Grange agitation and the
coming of more markets we do not find where this practice was
continued.

The trend of elimination of middlemen in Iowa hog mar-
keting since 1900, however, has been one of continued growth
of a system by which the packers and producers are gradually

assuming many transactions formerly effected at the public markets. The local packers in Iowa increased their volume to a point which became noticeable to the national packers in the early part of the present century. The Swift interests came into the state and established a reload station in 1903 for the purpose of purchasing Iowa hogs in the country. In 1904 the first cooperative livestock shipping association was organized at Postville, Iowa. That association, and others like it, tended to do away with the function of the local buyer at the local loading station. It is significant that both the producer and the packer were attempting to come closer to each other in their dealings at about the same time.

Later the larger packers came into the state and purchased interior packing plants, as the Sinclair plant in Cedar Rapids in 1913 (1) and the Iowa Packing plant in Des Moines in 1925. The interior Iowa packers countered this movement by establishing their own reload stations within the state in order to continue to draw their supply of hogs.

In the meantime efforts had been made by cooperative associations to establish cooperative concentration yards in different parts of the state. Some discussion among the shipping associations around Ft. Dodge occurred in the year 1923 and 1924. In 1925 an organization was actually perfected at Clar-

Ion Cooperative Reload Station was organized. Membership in the association was open to any cooperative livestock shipping association.

The Iowa Cooperative Livestock Shippers continued to advocate the establishment of direct selling agencies and in 1929 made new attempts to build up selling services in the country. About the same time the Eastern Iowa Livestock Market Association established a concentration yard at Cedar Rapids, Iowa, for the same purpose. It was later absorbed by the Iowa Livestock Marketing Corporation.

A large order buying company began a year or two later to extend its organization into Iowa and now operates four stations.

Today the Iowa producer uses one of three methods when he sells hogs direct. First, he does his own bargaining and sells direct to the packer. In the second place, the hog buyer purchases the hogs from the farmer and resells them to the packer. In the third place, the producer turns the selling of the hogs over to a cooperative livestock shipping association.

In describing the channels as they now exist, three groups will be considered; first, the selling organizations; second, the places where sales are made; and third, the buying organizations.

There has arisen discussion regarding the meaning of direct
marketing and a distinction has been made between what is called "direct buying" and "direct selling." Stout says "This difference between direct buying and direct selling of hogs seems to be almost entirely in the comparative bargaining power of the buyer and seller. When the packer transacts business with individual producers who are producing and marketing their animals without the aid of organized effort, in the majority of cases the packer has the advantage as to bargaining ability, and, therefore, has the power to grade and bid as he sees fit. On the other hand, if organized producers are marketing through direct selling agencies which have a great many outlets for the relatively large volume of livestock handled, the selling agencies are in position to bargain with the individual packers and sell to those who are willing to pay the higher price." (1)

An examination of Table III indicates that direct selling predominates in Iowa. The packer buyers accounted for but 34.7 per cent of the hogs received direct in 1929. The remainder, including .8 per cent unclassified, came to the packers from other sources. The independent buyers accounted for 29.6 per cent and the cooperatives 13.3 per cent. Individual farmers furnished only 19.6 per cent. On the basis of this classification at least 62.6 per cent of the direct hogs from Iowa

went to the packers on the initiative of buyers, producers, and cooperatives; while only 34.7 per cent went to them on the initiative of company buyer operations. From the standpoint of volume the situation in Iowa is one of direct selling. It is an entirely valid assumption to state that the buyers and cooperatives have "a great many outlets" for their "relatively large volume of livestock handled." One is justified in concluding that the individuals who supplied 19.6 per cent of the directs compared prices of other markets before sending their hogs direct to the packers.

Table III
DIRECT RECEIPTS OF HOGS FROM IOWA BY PACKERS 1929 (1)

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Salary</td>
<td>.892,625</td>
<td></td>
</tr>
<tr>
<td>On Commission</td>
<td>.702,075</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,594,700</td>
<td>34.7</td>
</tr>
<tr>
<td>Independent Buyers</td>
<td>.355,038</td>
<td>29.6</td>
</tr>
<tr>
<td>Individual Farmers</td>
<td>899,340</td>
<td>19.6</td>
</tr>
<tr>
<td>Cooperative Buyers</td>
<td>611,605</td>
<td>13.3</td>
</tr>
<tr>
<td>Unclassified Buyers</td>
<td>127,743</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>4,590,428</td>
<td>100.0</td>
</tr>
</tbody>
</table>

2. Selling agencies.

It should be understood that we cannot make a sharp and

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distant line of demarcation between different kinds of selling agencies. They merge into each other gradually and naturally. For example, partnership consignments lead into the organization of a cooperative association. In fact, many unincorporated cooperative associations are merely extensions of partnership consignments.

a. Country point selling agencies. Country buyers constitute an aggressive individualistic type of dealer. Many of them operate but for a short time. Competition is keen and usually only one of two buyers survive. These entrepreneurs assemble a heterogeneous collection and market where they think they can net the greatest profit. Some of the local buyers have built up a wide acquaintance and handle 50,000 or 75,000 head of hogs a year. For the most part, the outlets used by them are direct markets, although they occasionally consign some of their business to a terminal market.

(2). Cooperative livestock shipping associations. The Cooperative livestock shipping associations have developed in Iowa in the last thirty years. Starting in a modest way at Postville, Allamakee County, in 1904, the movement expanded during and after the World War to a point where nearly 700 associations were organized. They handled at their peak of business around 27½ per cent of the Iowa hogs. They came into the field as protests against wide margins which it had been assumed country buyers were taking. They made their most ef-
effective appeal to the farmers who marketed less than car lot shipments. The organization came into existence before any considerable trucking of hogs began. In other words, associations were organized for wagon-to-market assembling services and their marketing policies were determined on that basis.

Obviously many of these small unit organizations possessed such a small volume of business that they were unable to attract capable managers and, consequently, many of them have gone out of the picture completely. For the most part they were loosely organized with little definite membership obligation assumed so that it was inevitable that they discontinued operations after a few years of service. To put it another way they came into existence to perform a specific task, namely, to reduce the margins taken by local dealers. Having raised the price level in the community many farmers saw no need for further supporting them and allowed them to disintegrate at some points. In other territories the association members have undertaken the task of reorganizing for the purpose of performing more than a mere assembling job. They have employed capable managers and have set up in the community effective selling agencies. There has not been a comprehensive survey of the number and size of associations since 1924 but a recent estimate placed the number in active operation at the present time as low as 200 (1).

While this may be a low estimate the number has undoubtedly declined. A resurvey of associations is a most pressing requirement for an adequate evaluation of their importance in the hog trade at the present time.

(3). Individual partnership consignors. Individual farmers often club together with their neighbors and ship a load of hogs in one party’s name. This rather informal method of cooperation displaces the buyer and the association. They ship by rail or by truck. With the advent of the truck this type of business has, no doubt, declined.

b. Order filling organizations. A recent development of direct marketing and one which is having far reaching influence is the entry of order buying agencies into the state.

(1). Individual operators. Individual operators have developed their business to a volume where they are able to sort off and fill orders regularly. These individual operators at times could be quite logically classified as country buyers and yet the volume of business which they handle merits the designation of order buyer since they do make a business of filling definite orders received from competing packers. There are about twenty-five such operators in Iowa. They either concentrate hogs by rail or attract trucked hogs from a radius of from twenty-five to fifty miles. Usually these operators depend upon one principal outlet but they feel perfectly free to sell to any packer who wants hogs.
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(2). Order buying companies. The most significant development in this field has been the establishment in the state of buying points by a large national order buying company. This organization, the Kennett-Murray Livestock Buying Association, was organized in 1885 and expanded its business to cover the principal terminal markets. They "found it necessary in addition thereto to open and operate a number of so-called small buying points, referred to as concentration points or buying offices." (1) This company buys exclusively for eastern packers and includes eastern houses of the big packers and of small so-called independent packers. They opened country buying points to satisfy their trade with the kind and quality of hogs desired and at the right price. The scarcity of prime hogs made it necessary for this organization "to anticipate the market receipts in a measure and to seek those prime hogs at the points where they are still available. By going out to the points in the territories where we know we can get this quality of stuff we are able in a measure to supply these requirements from eastern customers. We are unable at all times to get the volume of the prime stuff on the so-called public market." (2)

This concern stated the reasons why the packers wish some of their hogs. They have pointed out that "they are able to buy their stock from certain territories which were notably free from disease, such as tuberculosis, and they were included in accredited districts where we can go into those districts and buy those hogs which are unusually free from con-

tamination in that respect. They found their stuff from there came to them fresh and first-hand stock, not the so-called culls and throw-outs which frequently drift into the market. They found, also, they were unusually free from infections which they encounter at all public markets, because most any of the public markets are infected yards. More than that, they found the carcasses of those animals showed a very small percentage of defects from bruises such as they encounter on the public markets.

"Last, but not least, there is an absolute avoidance of the so-called soft hogs which come to the public markets by reason of practices which I need not discuss here. These soft hogs are finished on soft feeds. They drift into the markets and are utterly ruinous to the small packer who has a direct trade he must supply."

They also gave some reasons why the producers sell hogs to them: "He found where he produced a better grade of stuff he was able to get recognition of that stuff and a better price paid to him there, instead of throwing his stuff into the general market with thousands or millions of other hogs; he is able to get his stuff right before the buyer who puts the value on it, such as he felt he should have; he was in closer touch with the buyer; he could not go to any public market and get from them any bigger bid for acceptance or refusal, and he can get that in the country at once; he is able to truck his stuff in, in the face of a sudden rise and to get it there at peak prices; or, should there be a downward tendency in the market, he is frequently able to get his stuff in and avoid that; he has found the shorter truck haul for hogs a very large item because, by the use of the truck, he is able to avoid high freight rates, which I think you gentlemen are familiar with; he suffers from less variability in the handling of his shipments; has a limited shipping loss in the way of cripples and deads; safe arrival, of course, in a better condition, and I have explained there is no loss of identity so far as the producer is concerned who endeavors to produce quality stuff. He does not lose control of his stock; he retains the privilege or removal of his stock without selling it. In other words, he does not lose his exclusive custody and control. The producer can weigh all of those advantages and disadvantages at those smaller points and either leave his stock or ship it elsewhere. The yards are open to him to ship into and he may use them or he may refuse them."(1)

(1) Ibid. p. 39.
This organization has established concentration points at Shenandoah, Dow City, Wall Lake, and Dyersville.

(3). Cooperative concentration associations. The first cooperative concentration association in Iowa was established at Clarion in 1925 when the Clarion Country Reload Station was organized. The membership of this association was "Open to any cooperative livestock shipping association" and "the facilities and services" were available to "members only." After operating for a few months the organization suspended operations.

Reference was made in the preceding chapter to the setting up under the auspices of the Federal Farm Board of the National Order Buying Company. After a series of preliminary meetings the Iowa Livestock Marketing Corporation was formally organized in 1930. This organization established thirteen concentration points in Iowa. The organization is operated from the central office in Des Moines, and orders are received at the central office and are filled at the local points.

c. District selling agencies. In 1929 the Iowa Cooperative Livestock Shippers undertook to sell hogs for its members on the basis of bids received by packers. This service was set up as a result of an intensive educational program which had featured effective merchandising of livestock. A general sales manager was employed to negotiate by telephone for bids which were then relayed to local associations. The state asso-
ociation furnished the selling service until 1932.


As in the case of selling agencies so in the case of location of price determination there are degrees of overlapping meaning. The place of price determination may be listed as follows: farm, local station, concentration station, packing plant, and public stock yards.

a. The farm. The farm sales may be made in three different ways. In the first place the facilities of a cooperative association may be used at the farm. Three types of associations operate in Iowa today. The non-stock association which performs a selling service for the member, the stock association which may perform a selling service for the member or a non-member or may buy hogs outright from anyone. A third type of association is an unincorporated group of farmers which handle hogs on a cooperative basis. Such an organization is technically a partnership. Two general groups deal with these three types of association; namely, members and non-members. The non-stock associations deal for members only even though they may not charge a regular membership fee but merely make the farmer a member upon his first shipment to the association. The non-member holds a distinct advantage in dealing with an association compared to the member who puts all his hogs through the organization. Since he does not hold stock he feels free to bargain with any prospective outlet and often
compels the association to pay more for his hogs than the market justifies. He may encourage the belief that he will join the association if he gets a good deal, or he may have the required number of hogs to fill out a load. Dealings with non-members indicate a sign of weakness in the association organization. There is set up as between farmer and association an attitude of bargaining for price which is diametrically opposed to the fundamental basis of cooperation. This basis is one of obtaining the highest price for its member rather than attempting to convince the farmer he should take the price bid to him. The handling of non-members hogs is discrimination, against which practice the Supreme Court of Iowa handed down an important decision. The famous Decorah case of 1913 is the decision in point.

The farmer may sell to the local buyer who calls at his farm. The local buyer may either be a butcher who is collecting hogs for his needs; he may be a scalper who is buying to resell at whatever margin of profit he is able to secure. This type of sale at the farm may be on the basis "dollaring off by the head" or on the hundred weight basis. In the third place, the packer buyer may call at the farm and the terms arrived at form the basis of trading. This packer buyer may either be a truck buyer who visits the farmer or he may be a buyer from the plant who travels the country and solicits business direct from farmers. In all of these transactions
the farmer possesses the advantage that the hogs are still on his farm and he may decline to sell since he has not moved his hogs to a market. Shrewd buyers realize this fact and are attempting to get away from the practice of making farm visits. It is not only a waste of time but as to the cost of buying since one man is necessarily limited to a smaller number of customers through this practice.

b. The local station. Local station sales are made through one of the three agencies mentioned in the classification of farm sales. The farmer who takes his hogs to a local station loses a portion of his bargaining ability since the hogs are in route to market and they are seldom taken back to the farm even though unsatisfactory prices are offered. The alert farmer endeavors to protect himself by securing by telephone all the possible market information before he takes his hogs to the station.

c. The concentration station. Concentration sales differ from a local station sales only in the place of sale and the distance from the farm. The farmer who has not made a bargain before sending his hogs to a concentration station is in even a poorer bargaining position than he was at the local station. His hogs constitute a smaller percentage of the receipts and his cost of taking the hogs back to the farm is quite materially increased. Sales at concentration stations may be made to a cooperative association located at that point,
to an independent operator, or to a packer buyer. The cooperative association may be a federation of local associations each of which holds membership in the larger organization or it may be an association which deals with non-member associations and a number of farmers.

d. The packing plant. Packing plant sales are on much the same basis as concentration sales except that usually the volume of business at the packing plant is larger and the farmer has even less bargaining ability than at any of the previously mentioned points because his constitute a smaller percentage of the total business. Due to this fact we find the alert farmer employing the services of a cooperation association or a truck driver to make the sales for him. In fact many of the sales at the packing plant are in reality resales of hogs which the truck driver purchased at the farm.

e. The public stock yard. Sales at terminals. These are usually public stockyard market sales and are, therefore, outside of the classification of direct marketing. There is a feature, however, which partially classifies certain sales at these markets as direct from the standpoint of integration of marketing steps. The organization and operation of cooperative commission associations at public stockyards has partially extended direct marketing to the open yards. These associations are operated by farmers who control the internal policy of the organization who receive back profits or rebates
from the operations of the association. Then there is the possibility that the individual may take his own hogs to a terminal market and sell them direct. In this case he would do away with the employment of the commission man's services by performing them himself. So far as is known this practice is rarely, if ever, followed since the farmer does not consider himself capable of transacting business at that point. This is a curious and significant point. Thousands of farmers who pay commission men fees for rendering a selling service at the yards rebel or would not even think of paying the same fee for expert selling service in the country.

As a matter of fact the payment of the same size fee in the country would in the writer's judgement net even greater returns. The only service rendered for this commission at the terminals is the selling of the hogs at one market whereas this same selling service in the country would include the determination of the market outlet. It might also include a decision as to time of selling though the latter becomes partly a farm management problem.

4. Buying agencies.

Interior Packers buy the largest proportion of Iowa hogs. Two types of interior packers operate in Iowa. The three of the oldest of these firms have operated plants in Iowa for sixty years. They purchased practically all of their hogs in Iowa direct from farmers or dealers. Some of the smaller
and more recently established concerns have grown from mere butcher shops to plants having a nationwide distribution.

Three national packers own and operate plants in the state. One of these was formed by the merger of an Iowa plant and eastern plants while the other two packers own the Iowa plants outright. Outside packers may be subdivided into two types of organizations. The national packers operate plants on terminal markets as well as off terminal markets. Independent outside packers operating at the terminals and elsewhere also buy hogs in Iowa. More recently order buying companies have come into the state. This new development is significant.

Statistics which show the distribution of Iowa hogs to different outlets since 1920 is made available through the courtesy of Leslie M. Carl of the Bureau of Agricultural Economics. These data are shown in Appendices B and G. These and similar data for other states which have compiled in recent years have been widely published and form the basis for the belief that direct marketing is a new development. These data really show the development since the World War and are very valuable in that they give a picture of the marketing system in detail. It is doubtful whether we would have such widespread interest today in the problems brought about by direct marketing if it were not for these carefully compiled marketing figures.
One feature which has been overlooked is the fact that shipments to public stockyards show more violent fluctuations than do those to direct outlets. The shipments to interior packers indicate a steady growth which leads one to conclude that the packers slaughtering in Iowa are steadily building up their business irrespective of the fluctuations in hog production. The fact that the public yards must handle the overflow production is significant. It means that Iowa "dumps" the hogs which are not wanted locally and places the public markets in the position of having an erratic flow of Iowa hogs from year to year which must be handled. The takings of "other packers" have likewise been quite variable, while the volume going to concentration points showed a general tendency to expand somewhat although a decline set in during 1931.

The most significant fact in the development during the last two years has the establishment of a series of concentration points by a national order buying concern which had previously been operated largely on the terminal markets. It is not possible to reveal the volume of the organization but it has already become a factor in at least one territory. Whether the closing of an interior packing plant in that locality was caused by this new market or not cannot be determined. At least there is a new entry into the direct marketing system in Iowa to be reckoned with should its growth continue in the future as it has in its first two years of operation in Iowa.
F. The Relation of Market News to Direct Marketing.

1. The market points in Iowa.

At least seventy-three points in Iowa have become definite large-scale markets. These points are shown on Map XV. Buyers and sellers meet at these points in person or by telephone and telegraph and bargain for price. The area from which the different points draw their hogs cannot be definitely determined without the accumulation a mass of data which at best would be incomplete. In the main the market areas tend to follow both the lines of railroads that come into each particular point and also the compact circular area surrounding each point which is served by truck. The proximity of the points to each other means that there is a constant overlapping of area which, of course, means increased competition for buyers within the state. These market points are in almost constant touch with one another and the operators watch competitors prices. Market rumors, news flashes, and personal investigations go on continuously.

Authentic market news, and by that is meant accurate market facts prepared skilled and unbiased reporters, becomes something more than a medium of information in such a situation. When these facts have been accepted by the Iowa hog trading organization such market news becomes a market place within itself. Buyer and seller meet every time this information is made available, whether by telephone, telegraph,
MAP XV. DIRECT MARKET OUTLETS LOCATED IN IOWA. 1933.
IV. DIRECT MARKET OUTLETS LOCATED IN IOWA. 1933.
radio or newspaper. The fact that Iowa has such a large number of trading points, such a variety of buyers and sellers trading in hogs and overlapping territories becomes not only one of the largest markets but also one of the most active.

2. Definition of a market.

Marshall quotes approvingly the definition given by Cournot: 'Economists understand by the term Market, not any particular market place in which things are bought and sold, but the whole of any region in which buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly.' (1)

In the same vein of thought he quotes Jevons as saying:

'Originally a market was a public place in a town where provisions and other objects were exposed for sale; but the word has been generalized, so as to mean any body of persons who are in intimate business relations and carry on extensive transactions in any commodity.' (2)

3. Terminal market news agencies.

Market news agencies representing different interests have developed at all important terminal markets. They range from the free lance market news reporter to the well

organized market news service of the United States Department of Agriculture. The free lance reporters secure and sell the market news on their own account. In between are many types of reporting agencies. The scout or assistant buyer who is privately employed by the individual packer to ferret out rumors, market gossip or information, and report to their respective companies.

Daily newspapers or news syndicates retain specialists who cover the market in the interests of their respective papers. Then there are the telegraph and other commercial agencies which disseminate market news. Each of the larger terminals has what is known in the trade as the semi-official organ of the market. While this market newspaper is not responsible for any of the acts on the market they usually act as an advocate, so to speak, of what they deem to be the interest of that market. The growth of the market and the evolution of a large number of agencies having different interests is a fact largely responsible for the entrance of the United States Government into the market news service.

Every improvement in communication and transportation has tended to promote direct marketing. One reason for the rapid rise of the commission house in Chicago in 1857 was the lack of dependable market news available. During the early years the farmers took their own livestock to Chicago for sale but were unable to learn exactly what the animals
were worth. Drovers who had been to the market a day or so before and had made sales had this information and began to tell it for a fee. The farmers then employed them to sell their stock at the best price. As the number of newspapers and other means of communication increased farmers began to get the information and were better able to sell their own hogs effectively in Iowa at the local markets. With the introduction of the government market news, especially radio broadcasting, farmers bettered their bargaining position with many reports available to them for study, daily. The small producer of hogs has thus been able to secure last minute information for the nominal expense of maintaining a radio.

4. Local market quotations.

The Iowa newspapers have carried quotations of local markets for many years. With the development of the rural free delivery the farmer could receive the news of the previous day of all important markets in the United States. With the advent of the radio he can receive them several times each day.

5. United States Department of Agriculture Market News Service.

The most important type of market news in so far as its relation to direct marketing is concerned has been the growth and development of the United States Department of Agriculture News Service at the terminal markets, and more recently the reporting of direct trading at the interior Iowa packing plants.
and the concentration stations. There is a marked difference between the system of government reporters and that of trade paper reporters. This difference has tended to diminish in recent years due to the fact that many private agencies now use the government reports for the basis of their news.

a. Problems in quoting hog marketing prices. The problems in quoting hog market prices are due to range in price and range in quality. The hog market price rarely continues at the same figure during even a single trading day. Advances or declines feature the normal market. The market may be steady or it may be weak, active or inactive, and it is the business of the market reporter to sense this situation and name a price which is representative. The bulk of sales at a market may be made at practically one price but the temperament of the buyers may vary as to whether they think the supply on the following day will be larger or smaller in relation to the demand which will develop.

The range in quality of the same situation and grade of hogs must be considered and the government reporter must be careful to include only representative transactions in his report. Anything out of the ordinary must always be explained. As the volume of hogs sold at terminal markets declines the prices must be registered by fewer sales, and a situation develops where there may not be complete representation in transactions of every weight and grade of hog.
Since the terminal market quotations are closely watched by country traders it is evident that the quoting of prices must be absolutely impartial and calls for judgment of the highest order.

It is not necessary that large volume of transactions occur in order to register a typical price. But it is necessary that whatever price is registered by accurately quoted if confidence of all interests in the trade is to be maintained.

It is entirely conceivable that a situation might develop in the hog trading similar to that in the poultry trade. The writer was present on the trading floor of the Chicago Live Poultry Exchange when prices were arrived at by the sale of only a few coops of chickens, but these prices were promptly telegraphed to many markets and immediately became the basis of trading throughout the Chicago trading territory.

When transactions do not actually occur the next most accurate measurement is the best judgement of the market news reporters at that market. This is what actually happens at the stock yards every day. Actual transactions may be limited to a non-representative sample but the market news reporter feels free to publish the quotations on other grades with the understanding that if hogs of those specifications had been sold they would bring the price quoted. It will, therefore, be recognized that even in terminal markets where
price is supposed to be registered by actual transactions we may have a variety of quotations which are not the result of transactions but are presumed to represent market conditions.

This service has not grown up over night but is a gradual evolution and it has been accompanied by an increase in the number of hogs marketed direct in Iowa.

In order to gather first hand information on market news the writer spent some time with market news reporters at different markets. The following information was secured from the Chicago division of the United States Department of Agriculture Market News Service. It is submitted as typical of the mechanism of market news collection and dissemination.

b. Description of the Federal market news system. The last twenty years have witnessed the development of a most complete nationwide live stock, meat, and wool market reporting service. The United States Department of Agriculture service comprises headquarters in Washington, D. C. and branch offices in the important livestock, meat, or wool market centers. These extend from Boston, Massachusetts to San Francisco, California, and from St. Paul, Minnesota, to Ft. Worth, Texas.

More than 7,000 miles of leased telegraph wires link all but three of these branch offices with each other and with the head office in Washington. This leased wire system operates throughout the day and thousands of words conveying market information are transmitted hourly.
By this means a market event of importance transpiring at any point is quickly transmitted to every other office in the circuit and at each of those offices it is almost immediately available for retransmission to every one in that territory having use for the information. Receipts of information regarding an important market fact almost instantly set in motion elaborate but fast-moving machinery for getting that fact to everyone who may profit by it and getting it to him in an understandable form in the shortest possible time.

To accomplish this, every modern means of communication is utilized. The radio, the telephone, commercial telegraph, local market paper, metropolitan dailies, press associations, news agencies, and mail distribution of mimeographed reports, all are pressed into service for the sole purpose of getting market information to every one, wherever located, in time to be of the greatest value.

In the operation of this high-speed system of distributing market news it is possible for the Iowa hog producer to remain on his farm and by tuning in on one of the many radio stations to hear, 15 minutes after the sale of his hogs, a complete account of the transaction including a description of them, their weight, and the price they brought.

If the sale is outstanding, either because of the character of the hogs or the fact that they topped the market, it is not at all unusual for the Iowa hog producer to know the
details of the transaction long before they are known by more than a handful of the people actually on the market. Many commission men get in touch with this news before making a sale. Representatives scan the bulletin boards at the markets almost constantly for the local as well as distant market reports.

By means of this far-flung system of gathering and disseminating market information the Iowa hog producer can know either what hogs are bringing on a midwestern market or what dressed pork is bringing in New York City, Boston or Philadelphia, a few hours after the animals or their products arrive on the different markets.

Through the same system the packer or slaughterer situated on the Atlantic Seaboard can know before 8 o'clock in the morning how many hogs are offered for sale on each of a dozen middlewestern markets and by 9 o'clock he can usually get a fair idea of the tone of the market and the trend of prices.

The branch offices mentioned are divided into three groups according to the character of the information they gather. For example, some report livestock markets, others wholesale fresh meat markets and still others wool markets. It frequently happens, however, that the same office conducts a reporting service on two commodities and in one instance - Boston - all three commodities are covered.
Care and skill in gathering market information is, of course, quite as essential as speed and efficiency in disseminating it. In this respect the service maintained by the U. S. Department of Agriculture is unexcelled.

A corps of trained workers operated in each branch office, and each is a specialist in his particular field.

The daily routine of a livestock market news reporter at the terminal market is an interesting one. The man in charge of the office at the market is responsible for the coverage of that market and of securing similar reports of other markets and distribution at that market of those reports. At the larger markets there are one or more men assigned to cover each of the classes of livestock. The hog reporter will go from pen to pen in the hog division and confer with buyers and sellers. The buyers and sellers in the market realize that trades will be made on the basis of the prices which the reporter publishes and consequently the reporter must be alert to see that sellers do not quote higher prices than are being paid, likewise that buyers do not quote lower prices than are being paid. This knack of verification of prices actually arrived at is an important qualification of the reporter. He must, of course, present an unbiased figure. Oftentimes he is quite puzzled in tracing down a rumor.

For example, one day while the writer was accompanying a United States Department of Agriculture market news reporter
it was rumored in the alleys that there had been an early sale made, twenty cents above the previous days market price. This rumor was received from a number of selling agencies. The buying interests denied that such a sale had been made and it was up to the news reporter to get the facts. For a period of twenty or thirty minutes the reporter scurried from pen to pen in an effort to find the sale. He finally located the pen of hogs which were alleged to have been sold at the advance in price and learned that they had not changed hands. It required tact and skill to secure this information. In fact the trade in the whole market was held up until facts had been learned. When the market news reporter filed his report, hogs continued to be sold on the market at the previous price. Incidents of this sort constantly occur in the market.

Each man spends most of the trading day on the particular section of the market to which he has been assigned, leaving it only for brief intervals to file dispatches or prepare reports for transmission by telegraph, radio or in mimeographed form through the mails.

The reporter is constantly right in the midst of the hustle and bustle of the market. He sees the stock and determines its class and grade. He observes the buyers and sellers. He hears the bids and the prices asked, and watches the two gradually approach each other until they finally meet
at the trading point and the sale is made. Thus he quickly senses the trends and shifts, not only of prices but of sentiment as well.

The reporter promptly incorporates this information in formal reports which are quickly broadcast, wired, and mailed to every part of the United States and frequently to foreign countries. To save time and avoid the necessity of leaving the market while trading is going on, the reporter frequently telephones many of his reports to the office, where stenographers, typists, telephone operators, broadcasters and messenger boys hurry them out to a waiting world through every modern avenue and agency of communication.

One reason why the government undertook the compiling of market reports was the fact that previous market reports were compiled by individuals who had an interest in the buying or selling of livestock. The information which the individual could collect was also limited. Widely varying estimates were released simultaneously by different market news reporters. The result was confusion in the trade and the ultimate establishment of what became known as the Bureau of Markets. With the development of direct marketing in the country it is even more essential that these reports be unbiased and accurate.

The market news reporter cannot compel various interests at the market to divulge the prices which they are paying or
asking as the case may be but must win the "good will" of the buyers and sellers in order to obtain this information. The fact that this market reporter could secure information from all except one indicates how necessary it is that he be tactful, accurate, and impartial. Both the buyers and the sellers in that market realized that transactions would be made on the basis of the prices which the reporter published and consequently the sellers were eager to quote the highest price and the buyers the lowest price that was being asked.

The work of the meat market reporter is, in essential respects, wholly similar to that of the livestock reporter. Instead of acres of stock pens filled with live animals and meat reporter visits cooler after cooler and views almost endless series of rails filled with meat carcasses and cuts. Instead of hearing the squeal of pigs he must listen to the dickering and bickering, the wrangling and jangling, the pleadings and protests of wholesale and retail meat dealers while they, too, work toward the point where they are willing to exchange meat for money and money for meat.

This point of exchange is of vital concern to the reporter for it represents the market price and that is one of the important facts he seeks. Like the livestock reporter he notes the volume of available supplies, the urgency of demand and the tone of the market. Furthermore, he must quickly and accurately determine the class and grade of meat being sold,
for it is only by knowing this that he can convey to others a definite idea as to prevailing prices.

In one respect the work of the meat reporter is frequently more difficult than that of the livestock reporter. In most large cities the wholesale meat trade is localized in several centers situated in widely separated sections of the city. This means that the reporter must travel far and fast and must use the telephone frequently to keep his office promptly advised regarding the very latest developments in the trade.

This is made possible through the leased wire system by which market information originating at one point is quickly transmitted to every other point on the circuit. Furthermore, all offices publish reports dealing with the three commodities—livestock, meats and wool.

c. Schedule of activities of a terminal office. The following schedule furnished by J. S. Campbell of the Chicago Office, gives a picture of the activities of that office:

4:00 A. M. An employee starts getting in touch by telephone with each of twenty-six railroads entering Chicago, and getting from each a report of the number of carloads of livestock which that road expects to deliver to the Chicago market in time to be included in the current day's receipts.

6:00 A. M. Estimates of the number of hogs which will be available on the Chicago market that day are filed and immediately disseminated by leased wire, C. N. D. Service, telephone and posting on bulletin boards.

7:00 A. M. Revised estimates of livestock receipts for the current day are released whenever revision of the original estimates are necessary.
7:00 to 8:30 A. M. During this period the office is bombarded with calls, both personal and by telephone, for information regarding the "holdovers" from the previous day; the number of direct shipments to packers; number of cars of each kind of livestock already in, the number yet to arrive, and many other matters of interest and value to the different branches of the industry. The Chicago office is equipped with a private telephone switchboard and ten stations and during this time all facilities are taxed to the limit.

8:30 A. M. The hog market reporter has made his first rounds of the market and filed his first hog flash showing the tone of the market and the trend of prices so far as those things can be determined at that time.

9:20 A. M. The second hog flash is filed and shows the latest developments in that market.

9:30 A. M. The meat market reporter has got in touch with a number of packers, branch house salesmen and retailers and has learned what supplies are available, the character of demand, and the trend of prices up to that time. All of this information he incorporates in a brief flash which is quickly wired both to the large consuming markets along the Atlantic Coast and the great livestock markets in producing areas.

10:00 A. M. Hog market flashes are filed by the reporters covering those markets. These flashes are based on all the reliable information regarding supplies, demand, tone of the market, trade conditions and prices available up to that time.

10:30 A. M. Complete market report is filed for transmission via leased wire and otherwise. This report contains reasonably detailed information regarding the hog market and includes a comprehensive set of price quotations segregated by classes and grades; also average weight and cost of hogs for the previous day.

11:00 A. M. An advance estimate of the number of hogs expected to arrive for the following day's market is filed.

12:30 P. M. Closing market report is filed. This report covers the hog market and contains statements regarding the tone and prices prevailing in the late market, shipper purchases, and estimated holdover of hogs.

2:00 P. M. Closing flash is filed whenever sufficiently important developments in the market have occurred subsequent to filing of the regular closing report.
d. Kinds of reports released. The foregoing consists largely of a catalog of reports transmitted daily over the Department's 7700-miles leased wire system and reaching most of the important market centers of the country. Practically all of this same information, however, is also disseminated in other forms and through numerous other agencies.

For example, both the Western Union and the Postal Telegraph Companies send out daily eleven or twelve C. N. D. messages covering the Chicago market, all of which are prepared in the Chicago office and each of which goes to a large number of subscribers.

In addition numerous private messages covering particular parts or phases of the market are sent regularly to individuals and organizations requiring such special service. Bulletin boards are kept supplied with the very latest information regarding both the local and many outside markets, and ample telephone facilities are kept constantly busy throughout the day answering hundreds of requests for market information.

The Associated Press and United Press each receive two reports daily which are put on their wires and sent from coast to coast, serving a majority of the daily newspapers of the country.

Four of Chicago's foremost radio stations are furnished material for broadcasting several times daily. Broadcasting
schedules are usually arranged so as to provide the most prompt dissemination of market news possible.

The Illinois News Service, the Agricultural News Service, Inc., and the Chicago Board of Trade, each receives and redistributes six or seven reports at various times during the trading day.

The market news service on livestock, meats, and wool, also includes the preparation and distribution of a considerable number of daily, weekly, monthly and periodical reports which are published in mimeographed form and delivered largely through the mails. Naturally these reports are, as a rule, more detailed than those disseminated by the more rapid agencies of communication such as telegraph and radio.

These mimeographed reports comprise two general kinds of information. First, that which pertains to the local market from which the report is published and from which information has been gathered by the reporters stationed at that point and second, information which has been received from other offices either by leased wire or mail. Because of this system an office is not limited to its own material but can and does amplify its reports by the addition of much of the information gathered at other points. In actual practice this system results in a livestock reporting office, for example, publishing a vast amount of market information not only regarding livestock but pertaining to meat and wool marketing as well.
Practically all that has been said regarding the work and service of the Chicago office applies in principle to each of the other offices of the Division. It is true that offices at some of the smaller markets have smaller personnel, issue fewer reports and in general operate on a smaller scale. Standard forms are used, however, in transmitting reports over the leased wire and in publishing it in mimeographed form. Each reporter grades the commodities on which he reports, livestock, dressed meats or wool, according to fixed standards and quotes prices on a standardized set of classes and grades. In this way definite price comparisons between markets are possible no matter how widely separated the markets may be.

A policy which has dominated the department is a laudable one, namely: "Get the news - Get it straight - Get it out." (1)

6. Federal market news service in Iowa.

The Federal Market News Service was extended to the reporting of hog sales at interior markets in Iowa in 1930. An office of the service was established at Des Moines for the purpose of gathering and disseminating the hog market in Iowa. Arrangements were made by which twenty-two concentra-

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tion yard managers and five packing plant organizations located throughout Iowa and southern Minnesota supplied the necessary information. This number has since been increased to twenty-five concentration yards and seven packing plants. Current quotations and receipts at the different markets for the twenty-four hour period are telephoned or telegraphed to the Des Moines office. In formulating the price ranges, out of line prices being paid at one or two remote stations and on special order, are not quoted. The prices which seem to be abnormally low in comparison with the general price level are not published. "We base our quotations and price ranges on the general level of prices prevailing throughout the area covered at the time the reports are filed." (1)

Since one value of the direct marketing news reporter is that of making them comparable as nearly as possible to public market quotations, the prices quoted on trucked hogs and rail deliveries are those that were to be fed and watered at the buying station before they were weighed. In analyzing or comparing prices quoted off the rail basis, these hogs should be quoted ten to twenty-five cents above the prices which the direct market news quotes.

The contacts are made with the buying and selling interests over the area and it is thus possible to present

comparable reports with those obtained at the terminal markets.

With the development of this service, hogs that are sold in this country register a price level and this price is published the same as other markets. In the Chicago market, for example, there are several markets: the Cuba market, the Rock Island, and Burlington markets. Each of these markets covers a certain geographic location in the stockyards and prices in these different divisions may be different at the same moment. In the same manner prices paid at interior Iowa points may be different at the same moment. But widely scattered as these points are the concentration station or packing house buyer must make certain that he is paying the farmer as high a price as is warranted by general market conditions else that farmer will become dissatisfied when he has read in the daily paper that prices in the Iowa market area were higher than those he had received. In order to keep customers satisfied in the country it is just as important for the concentration station and packing house buyer to return high prices as it is for the commission man at the terminal market. Market news service covering the packer buying stations performs this service of publicity, and the wide spread distribution of these reports must be considered in connection with the development of direct marketing of hogs in Iowa.

a. Iowa releases. Three types of releases are issued
from the Des Moines office daily.* A "Leased Wire" report is sent daily over the leased wire to all the offices of the Federal Market News Service and is broadcast daily from WO I, the broadcasting station of Iowa State College. A "Short Market" report is released to the Associated Press, United Press, International News Service and the Des Moines Register. A mimeographed report is published daily in full by the Des Moines Register. This mimeographed release is broadcast from WO I the following morning. It goes to interested packers in other states, to farmers who request copies and to research workers for their statistical records. This release is so highly regarded by one eastern packer that he uses long distance telephone service every business morning to get a brief summary of Iowa market conditions. He makes careful note of the number received at concentration yards. A weekly report or market summary is released to the Des Moines Post-Dispatch on Wednesday and to the Des Moines Register on Saturday of each week. (1)

The dissemination and use of this market information is the decisive factor in determining its utility. The use of the radio has revolutionized the dissemination of market information to a point where the individual Iowa farmer today


* See Appendix D.
has more timely market information than the most efficiently managed commission firm could have possibly collected twenty five years ago.

b. Evidence of extensive use of Iowa reports. Evidence that this information is constantly used by all important interests in the Iowa hog trade is shown by the following excerpts taken from letters received during the course of a few days correspondence of radio station W 0 I. The writer is indebted to W. I Griffith, radio program director, of the station for the use of the information. He is authority for the statement that this group of letters from which the excerpts were made by the writer constitute a typical sample of comments received by the station. Fifty five letters which came from thirty nine counties form the basis of this sample.

A firm of livestock buyers say, "We make use of your livestock reports every day. We have found them to be the best for accuracy and clearness."

The manager of a concentration station says, "Your markets are used every day in the year. You are received clear and distinct here."

A butcher says, "We use your market report in our business every day. We consider it very valuable."

A firm of livestock dealers says, "We get all our market reports over W 0 I and find it the best station to get reports over."

A livestock buyer says, "The livestock market reports given me over radio station W 0 I, Ames, Iowa, are of the greatest value to me at all times." This dealer has been in business many years. Livestock market reports "are of real value to the farmer."
A firm running three trucks and buying all kinds of stock says, "We depend on your broadcast for our hog market."

A livestock man says, "We surely use the market and weather report every day. Can't get along without it."

A Nebraska livestock dealer says, "We find the market reports broadcasted very helpful to us in our business."

A Minnesota farmer says, "Your market services are of big value to us."

A cooperative store says, regarding the livestock markets, "We depend entirely on them for our early markets." This store makes a record of the price quotations for use of its customers who come in the store.

Three individuals write, "We always make use of your market quotations and wouldn't care to be without them."

"Your market service is great," says another Iowa family.

A merchant and farmer writes, "We use your station to get the market three or four times a day to get the market on hogs and cattle, eggs and butter."

A Farmer's Exchange says, "We appreciate your market reports. We make use of every one of your reports."

A livestock man writes, "Markets are of value to myself and neighbors. We tune in for them whenever we have any livestock for sale—myself and all farmer neighbors around me tune in for the market reports."

A Minnesota firm of dealers in livestock says, "We get almost all of our market information out of your service reports every day."

A manager of an interior packer's reload station says, "Your market reports prove very helpful to me in my business as hog buyer for Blank and Company."

An interior packer says, "We consider it of very great value—not only to ourselves as buyers of hogs but to the farmer as the seller."

A bank says, "We certainly consider your report on the livestock report each day very valuable. We depend on it for the information posted on the bulletin board in the bank lobby.
and for answering numerous telephone calls daily on hog and cattle prices." In addition to our getting the report here, many feeders and dealers depend on your livestock report to determine the time to market their stock."

A firm of wholesale and retail dealers says, "We want to tell you the value of your market service not only to us as a firm, but the manager of the Livestock Shipping Association is associated with us, and he and his patrons depend on the livestock market as it comes from W O I for their market information." We also make use of the grain and butter, egg and poultry markets each day."

A manager of a concentration station says, "The market news service broadcast which comes regularly each week day morning is of real benefit to the livestock farmer and local cooperatives."

A packer says, "The livestock and meat reports are of great service to us and we could not get along without them. We tune in to every one coming in over W O I."

A firm of livestock dealers doing business at three stations says, "We surely appreciate your market broadcasts for they are all thorough, unpartisan, clear and prepared in truly practical nature. We consider them without a peer in the livestock market broadcast class and a valuable asset to our business."

Another concentration station manager says, "We get your markets daily with the exception of Sunday and consider your markets very valuable to our day's business."

Another packer, "We do not believe that there is any station on the air that is listened to by as many people for livestock markets as W O I."

A grain company says, "A large number of farmers in this territory look to us for livestock reports and we in turn depend on W O I for the valuable information."

Another firm of dealers says, "We depend on the W O I (Ames) market news and receive our Chicago prices from you."

Another firm of livestock dealers says, "We tune in regularly for your market reports and appreciate them very much. We find your reports very reliable and depend on you entirely for the market."

A farmer says, "We listen to the markets every day."
Another packer says, "We find all of these reports (livestock, weather forecast, and fresh meat trade reports) of great value to us."

A livestock company says, "You give them (the market reports) very complete and they are a wonderful help to the people of Iowa in keeping posted on the market and we know as for ourselves we feel as though we could not buy hogs without them as they are the most complete of any we can get over our radio and a big help to us."

Another livestock buyer says, "We would like to have the markets for the next two years. Have listened since you started."

A hog buyer for an interior Iowa packer says, "I tune in to all of your livestock market reports and it is a big help to me in buying stock to know whether the market is going up or down. Your market reports are of big help to me."

A livestock dealer says, "I surely do use your market reports—each one every day, and I sure would not know how to get along without them. I have used them for several years and sure do appreciate them."

In expressing his appreciation for the markets another livestock man says, "It is a station we depend on."

A Minnesota livestock buying organization says, "I am a livestock buyer and listen to each report you give daily and find I can keep in touch with outside markets better by doing so."

Another livestock man says, "My neighbors and I tune in daily to hear market reports from your station. Yours is the best service we have."

A farm family says, "We depend on your station for markets as well as other features."

A head buyer of an interior Minnesota packer says, "We would appreciate receiving your new market schedule."

An independent buyer and shipper of hogs who handles between 60,000 and 75,000 a year says, "the station puts out the most efficient and systematic livestock markets and that the service is always sought by him."

A bank supplies the elevator with market reports in addition to their own.
A farmer writes that the livestock market benefits a great many people.

A farmer's cooperative exchange says, "The market service on livestock which you give out over the radio each week day is of service to us and many of our patrons."

A cooperative grain company says, "Your market reports are the most complete of any we can get in this locality and are used daily by us. These market broadcasts are not only essential to a business like ours but also to the farmers up here."

A livestock dealer says that he considers W O I "the best market station on the air."

The manager of a buying station for an interior Iowa packer says regarding the market news from the W O I station, "I wish to say we cannot do business without them. They are so dependable."

A farmer writes, "I consider your radio market reports very beneficial in my stock feeding and marketing."

A farm family writes, "We use your market news services regularly."

A meat market proprietor says, "I am very much interested in the livestock reports as they are given now."

A Minnesota bank says, regarding the W O I market news reports, "Everyone who raises livestock certainly appreciates it in the community."

A Minnesota livestock buyer says, "Will say I do not know how I could operate without your market reports. They sure mean a lot to the country buyer."

When it is noted that 97,938 radio receiving sets were on Iowa farms January 1, 1932, and that the remainder of the 212,246 (1) Iowa farmers depended upon their neighbors' sets or those in banks, stores, and marketing

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offices it will be seen that it is hard to imagine the influence of market news in determining the market outlet for Iowa hogs. It is for this reason that we can justly maintain that a well connected system of market news is in itself a market place where buyers and sellers meet and where decisions are formed which are acted upon in the disposal of Iowa hogs.

7. Price registration versus price determination.

At this point we shall briefly review the argument in connection with the price factor which sooner or later creeps into any direct marketing discussion. By many it is assumed that prices are made at the market point. What actually happens is that prices are made over the whole area and merely registered at the market point. The market news service performs the task of properly collecting the prices after they have been registered by traders at the market places.

The mechanism of price registration should not be confused with the more fundamental factors which operate in price making. The commonly accepted idea is a superficial observation of what actually happens. According to this belief, the commission man representing the seller meets the packer buyer in a hog pen of the market and dickers for a price. After jockeying back and forth they finally agree on the price for a particular lot of hogs. Along comes a market news reporter who secures the details of the transaction.
He immediately broadcasts the information by telephone, telegraph or radio. Some assume that this is all there is to price making and so we have the commonly accepted idea that "Chicago sets the price." What has actually happened is merely the registration of a price which has been determined by factors far beyond those just described.

We shall not enter into an extended discussion of this phase of the problem but shall review briefly the conclusions arrived at by others after careful study.

"In so controversial an issue, involving so delicate and intricate a price-making mechanism, it is impossible to give an irrefutable answer to the problem of direct marketing either on grounds of economic analysis or of statistical proof." (1)

Knapp concluded that the direct buying of hogs at the Mistletoe yards did not have the "baleful influences which were ascribed to it." (2)

We have already noted (page 15 this thesis) the conclusion arrived at by Bjorka in an exhaustive statistical examination of the effects of direct marketing upon the price level of hogs:

"... this study yields no statistical evidence to show that the increase in direct marketing of hogs has had a depressing effect upon the level of hog prices and the price of pork products." (3)

These conclusions are borne out by Miller's studies and a further examination will not be made. On the basis of these studies we shall dismiss from further consideration the controversy involving the influence of direct marketing on the general price level of hogs.
V. SUMMARY AND CONCLUSIONS

Approximately two-thirds of Iowa hogs were marketed direct in 1932 and since approximately 40 per cent of the Iowa farm income is furnished by the returns from hogs this study of this phenomenon is distinctly a problem in agricultural economics. The prevailing belief that the system of direct marketing is a new and revolutionary method of merchandising hogs was examined. The belief has been encouraged by the fact that previous literature completely ignored or merely casually mentioned as insignificant the importance of direct marketing. The persistence of this belief was climaxed by an official announcement made by the Department of Commerce in 1932 that direct marketing "is a new method of distribution."

Facts gathered in the process of this study indicate that direct marketing has always been a vital though not always the dominant factor in the farm disposal of Iowa hogs. The data consisted of authentic and official statistics from the United States Census, trade association reports, state agricultural reports and United States Department of Agriculture documents. Miscellaneous facts were collected from sources found to be accurate and reliable.
The development of the Iowa hog industry was examined. It was found that hog production began along the eastern edge and the southeastern part of the state and spread westward, then northwestward. The growth of the packing industry was then studied. The location of the packing plants was found to have followed hog production. In the early days the plants were all located on the rivers in order that the meat might be floated to the southern markets. When railroads reached the state the eastern markets somewhat displaced the southern outlet before the Civil War. When the Mississippi River was closed to navigation during the hostilities the eastern markets got such a hold on the Iowa hog trade that southern markets never regained their former position. After the War the location of packing plants followed railroad construction and hog production. Competition was keen among the railroads for the location of plants on their lines and meat rates were made lower than hog rates. After a series of cases which were decided by the Interstate Commerce Commission, adjustments were made so that rates on live hogs eastward were lower than meat rates. Some of the smaller plants ceased operations but the stronger ones survived and made slow and steady progress in building up their volume.

The struggle for rate advantage has continued between the various factors in the hog trade and two main conflicts have stood out: First, the attempt to gain advantage between shipping live hogs as against meat and second, the establishment
of through rates from points of origin to destination with transit privileges permitted enroute. Transit privileges have been maintained and have been freely granted in recent years although terminal market interests have protested. The eastern demand for fresh pork has been retained and the rates have been such that both the eastern and western packers have prospered at the expense of the terminal packers in between.

The meat packing industry developed large units in the latter part of the last century and they came under the investigating eye of the Government. Considerable publicity on the findings caused the impression to become widespread that the packers were guilty of violating the Anti-Trust Law and when the Federal Trade Commission began its investigation the groundwork had been built for further revelations. Sentiment ran high after this investigation and the packers voluntarily entered into an agreement to dispossess themselves of holding in stockyards and not to deal in certain lines. Direct marketing was brought into the question in the investigation and it developed that concentration points had been established for some time in the state and that quite a considerable volume was moving through this channel.

The Packers and Stockyards Act became a law in 1921 and the ruling by the Attorney General that its jurisdiction did not include certain direct buying yards led to persistent but futile efforts to amend the Act. The central argument in the
hearings before Congressional committees raged around the question as to whether direct buying lowered the general price level for hogs. Terminal market interests, cooperative associations, producers, dealers and packers participated.

The idea seemed to prevail that if regulation could be extended to the direct buying points this practice could be curbed. The opposition of the packers and those selling direct indicated they believed this might be done and the proponents openly demanded that it be done. The evidence indicates that the packers and producers had been trading with each other through direct channels before the passage of the Packers and Stockyards Act. Recent attempts have been made to secure state regulation of direct marketing operations but so far have not proved successful.

Hogs reach different types of destinations through various channels of the system of direct marketing. A tendency exists today for producer and packer to trade with each other without the use of public stock yards facilities. Now that the majority of Iowa hogs are marketed direct the channels through which they reach the market are significant. The latest available data indicate that the packer buyers account for about one third of the direct hogs while two-thirds of them are brought to the packer by independent buyers, producers and cooperatives.

Direct marketing has been greatly facilitated by the re-
cent establishment and continued growth of a nation-wide sys-
tem of livestock market news reporting. The complete and ac-
curately compiled market news data gathered by unbiased news
reporters have been widely disseminated through radio broad-
casting stations, telephone and telegraph service, and the
press.

Price registration and reporting was differentiated as
between price determination and statistical analyses thus far
made fail to indicate that direct marketing of hogs depresses
the general price level.

This study brings together facts which indicate that di-
rect marketing of hogs in Iowa is a system which has constantly
been a vital though not always the dominant factor in the hog
trade. It is not a new method of distribution as has been com-
monly believed.

The high density of hog population in the state has been
favorable to the development of this system. Increased hog pro-
duction in the northern and western part of the state has been
accompanied by the establishment of packing plants and concen-
tration stations in or near those areas. In such localities di-
rect trading practices have tended to increase.

Transportation facilities directed the flow of hogs and
made available new markets as conditions changed. The railroads
established terminal marketing facilities at Chicago as an op-
erating economy and for a decade threatened to demolish direct market outlets but as the tracks were built across the state packing plants were constructed. Aided by a higher rate on hogs than on finished products they secured a favorable start. The changing freight rate structure challenged their existence but the growth of the larger plants continued. Transit privileges enabled eastern slaughterers to compete for Iowa hogs and direct trading was encouraged further.

Government regulation did not force the packers to establish concentration stations in Iowa. Every section of the state was tributary to and could use concentration privileges before the passage of the Packers and Stockyards Act in 1921.

The channels through which hogs move direct to packers are varied. There is a tendency for producers and packers to come closer together in their trading relations. When the packer projects his organization to the farm we may call it direct buying but when producers, represented by local buyers or associations, deal with the packers in an organized way we may call it direct selling.

The establishment and extension of the United States Department of Agriculture Market News Service and the frequent dissemination of its reports by radio, telegraph, telephone, or press have been contributing factors in the recent expansion of direct marketing of hogs in Iowa.
VI. LITERATURE CITED

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271.


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Ibid. Part III. 1919.


VII. ACKNOWLEDGEMENTS

The writer is indebted to Professor Paul L. Miller for his guidance in the pursuit of this study.

Elwyn L. Cady.
VIII. VITA

NAME: Elwyn Loomis Cady.

FATHER'S NAME: Wallace T. Cady.

MOTHER'S MAIDEN NAME: Mary Belle Loomis.

BIRTHPLACE: Meadville, Linn County, Missouri.

DATE OF BIRTH: December 11, 1898.

EDUCATION:

Meadville, Linn County, Missouri.
Oak Grove, Livingston County, Missouri.


University of Chicago. 1928-1929. Graduate Research Assistant.

TEACHER IN CHARGE OF MAJOR WORK: Paul L. Miller.
APPENDIX A
Section 1
ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.

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### ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.

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ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.

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### APPENDIX A

#### Section 1

**ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.**

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Source: Computed from U. S. Census Data.
## APPENDIX A
### Section 2

**ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.**

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ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.

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### APPENDIX A

#### Section 2

**ESTIMATED NUMBER OF HOGS ON FARMS JANUARY 1.**

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**Source:** Computed from U. S. Census Data.
## APPENDIX B

### DISTRIBUTION OF IOWA HOG MARKETINGS

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<th>Year</th>
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### PRIMARY DESTINATIONS OF IOWA HOGS. 1920-1932.

(000, omitted)

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## PRIMARY DESTINATIONS OF IOWA HOGS. 1920-1932.

(percentage)

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Livestock Market News Service (Leased Wire)  
Friday
Filed at Des Moines, Iowa  
Time Date May 12, 1933

HOGS: Est. rec' ts (BA) 25,700, including (BC) __ directs. Hold-over (BD) ____________

Mostly 25-35c higher; demand continued active at the advance and volume of loading about average for Friday; good to choice 180-300# wts $4.00-4.35, mostly $4.10-4.35 on wts under 260#; big wt butchers down to $3.75 for short haul lots; most packing sows $3.40-3.75.

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<tr>
<td>(160-180 lbs.)</td>
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<tr>
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<td>Good and choice</td>
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<td>(180-200 lbs.)</td>
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<td>(220-250 lbs.)</td>
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<tr>
<td>Packing sows</td>
<td>Good</td>
<td>K 3.50-3.75</td>
</tr>
<tr>
<td>(275-350 lbs.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(350-425 lbs.)</td>
<td>Good</td>
<td>M 3.40-3.70</td>
</tr>
<tr>
<td>(425-550 lbs.)</td>
<td>Good</td>
<td>Q 3.25-3.65</td>
</tr>
<tr>
<td>(275-550 lbs.)</td>
<td>Medium</td>
<td>R -</td>
</tr>
<tr>
<td>Slaughter pigs</td>
<td>Good and choice</td>
<td>S -</td>
</tr>
<tr>
<td>(100-130 lbs.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feeder and stocker pigs (70-130 lbs.)</td>
<td>Good and choice</td>
<td>X3.75-4.60</td>
</tr>
</tbody>
</table>

(Soft or oily hogs excluded from above quotations)

INTOIOR IOWA AND SOUTHERN MINNESOTA HOG MARKETS

DES MOINES, IOWA. May 12, 1953. (11:15 A.M.) (U. S. D. A.)

COMBINED HOG RECEIPTS AT 25 CONCENTRATION YARDS AND 7 PACKING PLANTS LOCATED IN INTERIOR IOWA AND SOUTHERN MINNESOTA FOR THE 24 HOUR PERIOD ENDED AT 8:00 A.M. TODAY WERE 25,700 COMPARED WITH 33,600 A WEEK AGO AND 15,400 A YEAR AGO.

Mostly 25-35¢ higher in an active trade that carried prices to the highest level since last August.

QUOTATIONS FOLLOW:

**LIGHT LIGHTS** (140-160#) GOOD AND CHOICE $3.50 - 4.00

**LIGHT WEIGHTS** (160-180#) "  " 3.75 - 4.25
(180-200#) "  " 4.05 - 4.35

**MEDIUM WEIGHTS** (200-220#) "  " 4.05 - 4.35
(220-250#) "  " 4.05 - 4.35

**HEAVY WEIGHTS** (250-290#) "  " 4.00 - 4.35
(290-350#) "  " 3.80 - 4.25

**PIGS** (100-130#) "  "  

**PACKING SOWS** (275-350#) " GOOD 3.50 - 3.75
(350-425#) "  " 3.40 - 3.70
(425-550#) "  " 3.25 - 3.65

THE ABOVE QUOTATIONS ARE BASED ON BULK TRANSACTIONS. LONG HAUL SHIPMENTS SHOWING EXCESSIVE WEIGHT SHRINKAGE AND HOGS EXCESSIVELY FILLED USUALLY SELL RESPECTIVELY SOMEWHAT ABOVE AND BELOW PRICES NOTED. HOGS BOUGHT ON THE BASIS OF SHIPPI NG POINT WEIGHTS ARE ALSO EXCLUDED FROM QUOTATIONS.

APPENDIX D
Section 3

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
MARKET NEWS SERVICE

307 New U. S. Court House, DES MOINES, IOWA Telephone: 3-4151
Stations 53 and 54

DAILY HOG MARKET REPORT - FRIDAY - MAY 12, 1953

Hog Receipts at Concentration Yards and Slaughter Plants

In Interior Iowa and Southern Minnesota

THE FOLLOWING TABULATION SHOWS UNLOADS OF HOGS AT THE
POINTS NAMED FOR THE 24 HOUR PERIOD ENDED AT 8:00 A.M. TODAY,
WITH COMPARISONS:

<table>
<thead>
<tr>
<th>Points Named</th>
<th>This Week</th>
<th>Corr. Week</th>
<th>Year Ago</th>
<th>Ago</th>
<th>To Date</th>
<th>Last Week</th>
<th>Last Year</th>
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<tbody>
<tr>
<td>25 Concentration Yards and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>7 Packing Plants*</td>
<td>25,700</td>
<td>33,600</td>
<td>16,400</td>
<td>159,900</td>
<td>165,700</td>
<td>129,400</td>
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<td>*Concentration Yards: -</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Belle Plaine, Boone,</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Carroll, Cedar Rapids,</td>
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<td></td>
<td></td>
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<td>Cherokee, Council Bluffs,</td>
<td></td>
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<tr>
<td>Creston, Des Moines,</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Dow City, Eagle Grove,</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Humboldt, Iowa City,</td>
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<td></td>
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<tr>
<td>Iowa Falls, Marshalltown,</td>
<td></td>
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<td>Manson, Oelwein, Oskaloosa,</td>
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<td></td>
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<tr>
<td>Perry, Shenandoah, Sibley,</td>
<td></td>
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<td></td>
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<td></td>
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<td>Spencer, Tama, Valley</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Junction, Washington and</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Waverly.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>*Packing Plants: -</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Albert Lea and Austin,</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Minnesota; and Cedar</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rapids, Des Moines, Mason</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>City, Ottumwa and</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Waterloo, Iowa.</td>
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Hog Receipts at Seven Public Markets

<table>
<thead>
<tr>
<th>Points</th>
<th>This Week</th>
<th>Corr. Week</th>
<th>Year Ago</th>
<th>Ago</th>
<th>To Date</th>
<th>Last Week</th>
<th>Last Year</th>
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<tbody>
<tr>
<td>CHICAGO</td>
<td>20,000</td>
<td>21,123</td>
<td>16,361</td>
<td>118,994</td>
<td>124,469</td>
<td>124,232</td>
<td></td>
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<tr>
<td>KANSAS CITY</td>
<td>5,500</td>
<td>2,882</td>
<td>4,017</td>
<td>31,275</td>
<td>29,530</td>
<td>35,346</td>
<td></td>
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</table>
Hog Receipts at Seven Public Markets (continued)

<table>
<thead>
<tr>
<th>Market</th>
<th>Receipts</th>
<th>Percentage Increase</th>
<th>Actual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. ST. LOUIS</td>
<td>6,000</td>
<td>0.3%</td>
<td>56,860</td>
</tr>
<tr>
<td>OMAHA</td>
<td>6,500</td>
<td>0.9%</td>
<td>51,860</td>
</tr>
<tr>
<td>SIOUX CITY</td>
<td>7,000</td>
<td>0.8%</td>
<td>36,732</td>
</tr>
<tr>
<td>ST. JOSEPH</td>
<td>3,500</td>
<td>0.9%</td>
<td>25,638</td>
</tr>
<tr>
<td>ST. PAUL</td>
<td>10,000</td>
<td>1.0%</td>
<td>34,245</td>
</tr>
<tr>
<td>Total</td>
<td>56,500</td>
<td>1.0%</td>
<td>356,239</td>
</tr>
</tbody>
</table>

Interior Iowa and Southern Minnesota Hog Markets, May 12, 1933

(Unless otherwise noted, price quotations in this report of Interior Iowa and Southern Minnesota hog markets are based on transactions made today up to 10:30 A.M. covering deliveries showing neither excessive weight shrinkage nor excessive fills)

The most abrupt one day advance in recent months carried hog prices to the highest level since last August in Friday's trade. Trading was unusually active, and quotations were from 20 to 35%, mostly 30 to 35%, higher, on all weights of butchers. Packing sows were mostly 15 to 20% higher.

For the first time since the middle of last summer, well finished hogs scaling from 180 to 290# were selling mostly from $4.00 to $4.10, over the entire area, and dealers found it hard to buy even the heavier weights under the even money mark.

Trade observers had predicted that it would be hard to buy many good sized droves out of first hands between $3.75 and $4.00 as a good many feeders had raised their asking prices from $3.75 to $4.00 by Thursday. But, with the jump from $3.75 to $4.00 or above covered in a single day's trade, there was a good deal of uncertainty as to the effect the sharp upturn was going to have on the number of hogs marketed.

Sentiment in the country continued to be decidedly optimistic, and some feeders indicated that they intended to hold hogs they had on feed for at least a few more days in the hopes of a further advance. At the same time, $4.00 net, looked attractive to a good many feeders and they were inclined to sell at least part of the hogs they had on hand, that were ready to go. In addition, there were a number of leads in dealers'hands, that had been carried for a day or so, that were being disposed of on the advance, and the marketward movement was about average considering the continued adverse hauling conditions.
Buyers were paying more attention to quality than to weight in buying hogs scaling under 300#, and as far as weight was concerned those averages usually sold with a 10¢ spread. Lighter weights failed to reflect the full advance, however, and even light lights, not suitable for feeders, sold on a very uneven market at a sharp discount.

Good to choice 180 to 300# weights sold mostly from $4.00 to $4.35 with the most of the 190 to 250# averages bringing from $4.10 to $4.35. Numerous loads sold from $4.15 to $4.30. Big-weights sold mostly from around $4.00 down, short haul lot ranging down to $3.75. The most of the packing sows sold from $3.40-3.75, long haul light weights occasionally selling slightly higher with short haul big weights down to $3.25.

**TODAY'S HOG QUOTATIONS:**

Quotations applicable to hogs shipped to concentration yards and direct to interior packing plants represent bulk transactions, and long haul shipments showing excessive weight shrinkage and hogs excessively filled usually sell respectively somewhat above and below prices quoted. Hogs bought on the basis of shipping point weights are also excluded from quotations. Public market prices quoted are for hogs sold and weighed under customary stockyard practices.

<table>
<thead>
<tr>
<th>Int.</th>
<th>Chicago</th>
<th>Sioux City</th>
<th>Omaha Natl.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lt. Lts. Good-Ch (140-160#)</td>
<td>$3.50-4.00</td>
<td>4.00-4.65</td>
<td>4.00-4.25</td>
</tr>
<tr>
<td>Lt. Wts. Good-Ch (160-180#)</td>
<td>3.75-4.25</td>
<td>4.50-4.75</td>
<td>4.10-4.25</td>
</tr>
<tr>
<td>Med. Wts. Good-Ch (200-220#)</td>
<td>4.05-4.35</td>
<td>4.65-4.80</td>
<td>4.25 only</td>
</tr>
<tr>
<td>Evy. Wts. Good-Ch (250-290#)</td>
<td>4.05-4.35</td>
<td>4.65-4.80</td>
<td>4.20-4.25</td>
</tr>
<tr>
<td>Pckg. Sows-Good (275-350#)</td>
<td>3.50-3.75</td>
<td>4.00-4.15</td>
<td>3.85-3.90</td>
</tr>
<tr>
<td>(350-425#)</td>
<td>3.40-3.70</td>
<td>3.95-4.10</td>
<td>3.80-3.90</td>
</tr>
<tr>
<td>(425-550#)</td>
<td>3.25-3.35</td>
<td>3.90-4.00</td>
<td>3.70-3.85</td>
</tr>
<tr>
<td>Med-(275-550#)</td>
<td>-</td>
<td>3.80-3.95</td>
<td>3.65-3.80</td>
</tr>
<tr>
<td>Sltr. Plgs Gd-Ch (100-130#)</td>
<td>-</td>
<td>3.50-4.00</td>
<td>-</td>
</tr>
<tr>
<td>Pdr. &amp; Stkr. Plgs Gd-Ch (70-130#)</td>
<td>3.75-4.50</td>
<td>-</td>
<td>3.75-4.00</td>
</tr>
</tbody>
</table>
TODAY'S HOG TRADE AT PUBLIC MARKETS

CHICAGO, ILLINOIS (10:30 A.M.)

Union Stockyards, Chicago, Friday, May 12, 1933. Hog receipts 20,000, including 10,000 direct. Very active, mostly 25-35% higher than Thursday's average; packing sows 15% up; better grade 170-350#, $4.65-$4.75; top $4.80; few heavier weights $4.55-$4.60, 401# at latter price; 140-160#, $4.00-$4.55, plain kinds down to $3.50; good and choice pigs $3.50-$4.00; packing sows around $4.00, smooth light weights to $4.15 and plain kinds below $4.00.

SIOUX CITY, IOWA (10:45 A.M.)

All classes mostly 25% higher; early top $4.25, strings of butchers held higher; early bulk 170-375# weights $4.15-$4.25; light lights $4.10-$4.20; packing sows mostly $3.75-$3.90; feeder pigs up to $4.00.

OMAHA, NEBRASKA (10:45 A.M.)

Active to all interests, lights and butchers mostly 25% higher than Thursday's average; instances up more on sows with light lights and pigs showing 50% advance inspots; top $4.25 freely for choice 190-270#; bulk good and choice 160-350#, $4.10-$4.25; top $4.25 freely for choice; 140-160#, $3.75-$4.10; sows $3.85-$4.00; stags mostly $3.50; feeder pigs $3.00-$3.50.

E. ST. LOUIS, ILL. (10:15 A.M.)

Fairly active, mostly 25-30% above Thursday's average; weigher kinds up least; light lights sharing advance; few pigs strong to 15% higher; sows 10-25% up; bulk 170-320#, $4.50-$4.60; top $4.60; most 150-160#, $4.25-$4.50; 140-170#, $3.75-$4.35; few 180-130# pigs $3.00-$3.30, some held higher; sows mostly $3.80-$3.90, few extreme heavies $3.75.

KANSAS CITY, MO. (10:45 A.M.)

Slow, market not established; few early sales to shippers 15-25% higher at $4.20 and $4.25; generally asking $4.25-$4.35 for best light butchers; packers talking $4.15 for best; sows $3.50-3.75, few $3.80; stock pigs steady at $3.00-$3.50.

ST. JOSEPH, MO. (10:50 A.M.)

General hog market 20-25% higher; rather slow at the advance;
top $1.25, many held higher; early bulk desirable butchers all weights, $4.20-4.25, including some 350# butchers at $4.20; sows largely $3.60-3.85.

ST. PAUL, MINN. (10:45 A. M.)

Market active, 25-30¢ higher; sows 20-25¢ up; bulk good to choice 160-250#, $4.25-4.35; top $4.35 to all interests; most 250-325#, $4.10-4.25; light lights $3.75-4.35; most pigs $3.50-3.75; packing sows $3.60-3.85, bulk around $3.65-3.75.

5-12-33 ELH.

W. O Fraser,
Local Representative.

## APPENDIX E.

### INTERIOR IOWA HOG SLAUGHTER

<table>
<thead>
<tr>
<th>Year</th>
<th>Number hogs Ending on farms.(2) (000, omitted)</th>
<th>Number Hogs Packed</th>
<th>Percentage Slaughtered Locally</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848</td>
<td>---</td>
<td>47,500 (a)</td>
<td>100.00 (3)</td>
</tr>
<tr>
<td>1849</td>
<td>---</td>
<td>50,500 (a)</td>
<td>100.00</td>
</tr>
<tr>
<td>1850</td>
<td>---</td>
<td>48,000 (b)</td>
<td>100.00</td>
</tr>
<tr>
<td>1851</td>
<td>---</td>
<td>70,000 (a)</td>
<td>100.00</td>
</tr>
<tr>
<td>1852</td>
<td>---</td>
<td>27,500 (d)</td>
<td>100.00</td>
</tr>
<tr>
<td>1853</td>
<td>---</td>
<td>---</td>
<td>100.00</td>
</tr>
<tr>
<td>1854</td>
<td>---</td>
<td>---</td>
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<tr>
<td>1855</td>
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<td>1856</td>
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<td>100.00</td>
</tr>
<tr>
<td>1857</td>
<td>---</td>
<td>---</td>
<td>100.00</td>
</tr>
<tr>
<td>1858</td>
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<td>149,992 (d)</td>
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<tr>
<td>1859</td>
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<td>---</td>
<td>100.00</td>
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<tr>
<td>1860</td>
<td>---</td>
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<tr>
<td>1861</td>
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<td>---</td>
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<tr>
<td>1862</td>
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<td>---</td>
<td>100.00</td>
</tr>
<tr>
<td>1863</td>
<td>---</td>
<td>404,861 (e)</td>
<td>100.00</td>
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<tr>
<td>1864</td>
<td>1,582</td>
<td>313,331 (f)</td>
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<tr>
<td>1865</td>
<td>1,424</td>
<td>176,807 (f)</td>
<td>12.45 (4)</td>
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<tr>
<td>1866</td>
<td>1,424</td>
<td>93,831 (f)</td>
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<tr>
<td>1867</td>
<td>1,666</td>
<td>115,241 (f)</td>
<td>6.90</td>
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<tr>
<td>1868</td>
<td>1,749</td>
<td>182,944 (f)</td>
<td>10.46</td>
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<tr>
<td>1869</td>
<td>1,749</td>
<td>131,287 (f)</td>
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<tr>
<td>1870</td>
<td>2,500</td>
<td>139,487 (f)</td>
<td>5.56</td>
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<td>1871</td>
<td>3,100</td>
<td>165,181 (f)</td>
<td>5.32</td>
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<td>1872</td>
<td>5,586</td>
<td>280,580 (f)</td>
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<td>369,278 (f)</td>
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<td>1875</td>
<td>3,398</td>
<td>426,258 (g)</td>
<td>12.64</td>
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<td>1876</td>
<td>3,296</td>
<td>380,746 (h)</td>
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<td>1877</td>
<td>3,263</td>
<td>419,442 (h)</td>
<td>12.84</td>
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<td>2,950</td>
<td>486,850 (h)</td>
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<td>1879</td>
<td>2,915</td>
<td>569,703 (h)</td>
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<tr>
<td>1880</td>
<td>2,778</td>
<td>656,085 (h)</td>
<td>23.69</td>
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<tr>
<td>1881</td>
<td>2,778</td>
<td>648,318 (h)</td>
<td>23.33</td>
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<tr>
<td>1882</td>
<td>5,552</td>
<td>687,281 (i)</td>
<td>11.29</td>
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<tr>
<td>1883</td>
<td>5,107</td>
<td>675,589 (i)</td>
<td>13.24</td>
</tr>
</tbody>
</table>
### APPENDIX B.

**INTERIOR IOWA HOG SLAUGHTER**

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Number hogs on farms.</th>
<th>Number Hogs Packed</th>
<th>Percentage Slaughtered Locally.</th>
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<tbody>
<tr>
<td>1884</td>
<td>4,801</td>
<td>624,604 (J)</td>
<td>15.02</td>
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<tr>
<td>1886</td>
<td>4,801</td>
<td>766,593 (J)</td>
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<td>554,189 (L)</td>
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<td>5,996</td>
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<td>1895</td>
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<td>1896</td>
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<td>1899</td>
<td>3,408</td>
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<td>1900</td>
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<td>7,947</td>
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<td>1908</td>
<td>7,908</td>
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<td>1909</td>
<td>6,495</td>
<td>1,265,814 (M)</td>
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<td>9,056</td>
<td>984,547 (M)</td>
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<td>8,720</td>
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<td>1914</td>
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<td>1915</td>
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<td>1916</td>
<td>9,370</td>
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<td>1917</td>
<td>10,507</td>
<td>1,599,408 (M)</td>
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<tr>
<td>1918</td>
<td>10,822</td>
<td>1,287,122 (M)</td>
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<tr>
<td>1919</td>
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<td>1,800,202 (M)</td>
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<td>1920</td>
<td>8,285</td>
<td>1,858,133 (M)</td>
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APPENDIX E.

INTERIOR IOWA HOG SLAUGHTER

<table>
<thead>
<tr>
<th>Year Ending March 1</th>
<th>Number hogs on farms. (2) (000, omitted)</th>
<th>Number hogs packed.</th>
<th>Percentage Slaughtered Locally.</th>
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<tbody>
<tr>
<td>1921</td>
<td>8,928</td>
<td>1,846,256 (n)</td>
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<tr>
<td>1922</td>
<td>9,928</td>
<td>2,067,395 (o)</td>
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<td>1923</td>
<td>11,602</td>
<td>2,292,141 (o)</td>
<td>19.76</td>
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<tr>
<td>1924</td>
<td>11,415</td>
<td>2,327,788 (o)</td>
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<td>1925</td>
<td>9,833</td>
<td>2,985,273 (o)</td>
<td>32.84</td>
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</tbody>
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Sources:
(1). Data compiled for pork packing seasons November 1 to March 1, 1847-1848 to 1851-1852, 1857-1858, 1862-1863 to 1887-1888 and for 12 months ending March 1, 1888-1889 to 1924-1925.
(3). Terminal stockyards were not established until 1865.
(4). Percentages from 1865 to 1925 were computed by omitting thousands from the number of hogs packed, in order to make it comparable with the number of hogs on farms.
(n). Price Current Grain Reporter Yearbook, Year ending May 1, 1921: 74,78. Cincinnati, 1921.
(o). Price Current Grain Reporter Yearbook, Year ending May 1, 1925: 75,78. Cincinnati, 1925.