4-1961

Feed industry financing and contract programs in Iowa and surrounding states

Richard Phillips
Iowa State University

Feed Industry Financing And Contract Programs in Iowa And Surrounding States

by Richard Phillips

Department of Economics and Sociology

Special Report No. 28

Agricultural and Home Economics Experiment Station

Iowa State University of Science and Technology

Ames, Iowa — April 1961

CONTENTS

Feed Industry Financing and Contract Programs in Iowa and Surrounding States[1]

BY RICHARD PHILLIPS[2]

Contract farming (or vertical integration) has been discussed widely during the past few years. It has been the subject of many articles in farm magazines, trade publications and professional journals.[3] Authors differ greatly as to their interpretation of contract farming and in their attitude toward it. Opinions differ and uncertainty persists concerning future developments and trends in contract farming under midwestern conditions.

Contract farming must result in greater economy or efficiency if it is to continue. This efficiency could occur in any one or more of the three segments in the total agribusiness system — the distribution of farm supplies, farm production or the marketing of farm products. If contracting does result in sufficient efficiency and competitive advantage in at least one of these sectors, then the push will be toward more and more vertical integration in agriculture.

But even when there are potential efficiencies to be gained from contract farming, contracting develops only as individual firms see advantages to be gained. Firms in one or more of the three sectors must be integration innovators by making contract programs available. Furthermore, the contract programs being offered must have enough appeal to gain acceptance. Thus, three conditions must exist to cause development and expansion of contract farming: (1) basic efficiency and competitive advantage over uncoordinated production and marketing, (2) innovating firms who see a profit incentive in offering contracts and (3) acceptance of the contracts by the segment to which they are offered.

Firms in the feed industry represent important potential integration innovators. Feed manufacturers and dealers have been among the first to offer financing and contract programs to livestock farmers in the South and in other sections of the country. This industry has been one of the leaders in the development and use of contracts in the Midwest. In 1958, an estimated 15 percent of total feed industry sales were represented by financing and contract programs in Iowa, Illinois, Missouri, Minnesota, Nebraska and South Dakota. This had increased to 18.6 percent in 1959 (see appendix table A-3). The attitude of feed firms toward contracting and the success they have with contracts are important keys to the probable relative importance of future contract livestock farming in the Midwest.

In view of this, early in 1959 the Iowa Agricultural and Home Economics Experiment Station entered into a contract with the Marketing Economics Research Division of the United States Department of Agriculture to study contract farming from the point of view of the feed industry. The study was organized into two phases. The objective of the first phase has been to obtain detailed information on the contract programs being used by the feed industry in Iowa and surrounding states. The objective of the second phase is to measure the advantages, if any, to feed manufacturers and dealers of alternative kinds of contract programs with a view to projecting the direction and extent of developments in contracting by the feed industry in the future. This report summarizes the results of the first phase of the study. Research on the second phase is currently under way and will be reported in a separate publication at a later date.

After securing the cooperation of the American Feed Manufacturers Association and an introductory letter from them, the headquarters offices of the major feed manufacturers using financing and contract programs in the Midwest were personally contacted. These manufacturers cooperated by furnishing materials and detailed information relative to their various contracting programs and those of their dealers, together with the estimated tonnage of feed sold under each program. In all, information was obtained on the financing and contract programs of 26 feed manufacturers representing a total of 120 different

[1] Project 1224, Iowa Agricultural and Home Economics Experiment Station. Based on research conducted under Contract No. 12-25-010-851 with the Marketing Economics Research Division, Agricultural Marketing Service, USDA. V. John Brensike, Head of the Grain and Feeds Section of AMS, is the contracting officer's designated representative under this contract.

[2] Professor, Department of Economics and Sociology, Iowa State University of Science and Technology. Theda Ballantyne, Research Assistant, conducted most of the fieldwork and assisted materially in summarizing the information and preparing this report.

[3] Cf. American Feed Manufacturers Association, Inc. Bibliography of contract agriculture. The author. 53 West Jackson, Chicago, Ill. May 1958.
Nellie G. Larson. Contract farming and vertical integration; a selected list of references. Library List No. 64 U. S. Dept. Agr., Washington, D. C. June 1958.

programs. Except for a limited amount of contracting done by local independent manufacturers in the state, the programs studied covered all known feed industry financing and contracting in Iowa. In the case of the other five states, not all of the manufacturers who operate within the confines of a single state were included in the study. The broiler programs of southern Missouri were excluded.

The first section of this report presents a summary description of the programs being used in Iowa and surrounding states. Included are a discussion of the financial arrangements used, the requirements (where applicable) of farmers under the programs, arrangements for feeder and breeding stock and arrangements for marketing the livestock or livestock products under the programs. Also included is a summary of livestock production risks shared by the feed industry under the programs.

The second section reports the volume of feed sales under the various programs, including the total tonnage, the percentage by type of livestock and by class of program and the fraction of total industry sales of feed covered by the programs studied. Comparisons are made between 1958 and 1959. This is followed by a short section describing new programs under consideration by the feed manufacturers visited.

DESCRIPTION OF PROGRAMS BEING USED

This study covers 120 different financing and contract programs in operation between the feed industry and livestock farmers in Iowa, Illinois, Missouri, Nebraska, South Dakota and Minnesota. Of these, 31 are hog programs, 27 are cattle programs, 36 are turkey programs, and 26 are chicken or egg programs. The details of the various programs vary considerably; probably no two of them are identical in all respects. They range all the way from loose arrangements with no supervision of the farmers' production operations to highly integrated programs for livestock supply and final marketing as well as the feed and other production supplies. But they have one characteristic in common. They all provide the farmer with credit for the feed to be used over a specified time period (or livestock production cycle) in return for which he agrees to use the manufacturer's (or dealer's) feed over the period of the agreement.[4]

The 120 programs are grouped into five different classes in this study as:

Informal financing agreements

Class I. Relatively loose arrangements under which the company or dealer furnishes the farmer credit for his feed in return for which he agrees to use the specified brand of feed over some stated time period. Little or no production supervision is given the farmer.

Class II. More formalized arrangements between the farmer and the feed company or dealer which provide some supervision of the farmer's livestock operation as well as financing of the feed in return for which the farmer uses a specified feed and feeding program.

Formalized contractual programs

Class III. Specific contractual programs whereby the farmer meets certain minimum production standards and carries out a specified kind of feeding and management program in return for the feed credit given him, so that his feeding program is controlled as well as supervised.

Class IV. Specific contractual programs whereby, in addition to meeting certain minimum production standards and carrying out a specified kind of feeding and management program, the farmer utilizes a specified source or type of feeder (or breeder) stock and/or marketing program. Financing furnished the farmer typically extends to other production capital as well as to the feed.

Risk-sharing contract programs

Class V. Rather complete integration programs where, in addition to the provisions of the Class IV programs, the feed company or dealer offers arrangements which result in some sharing with

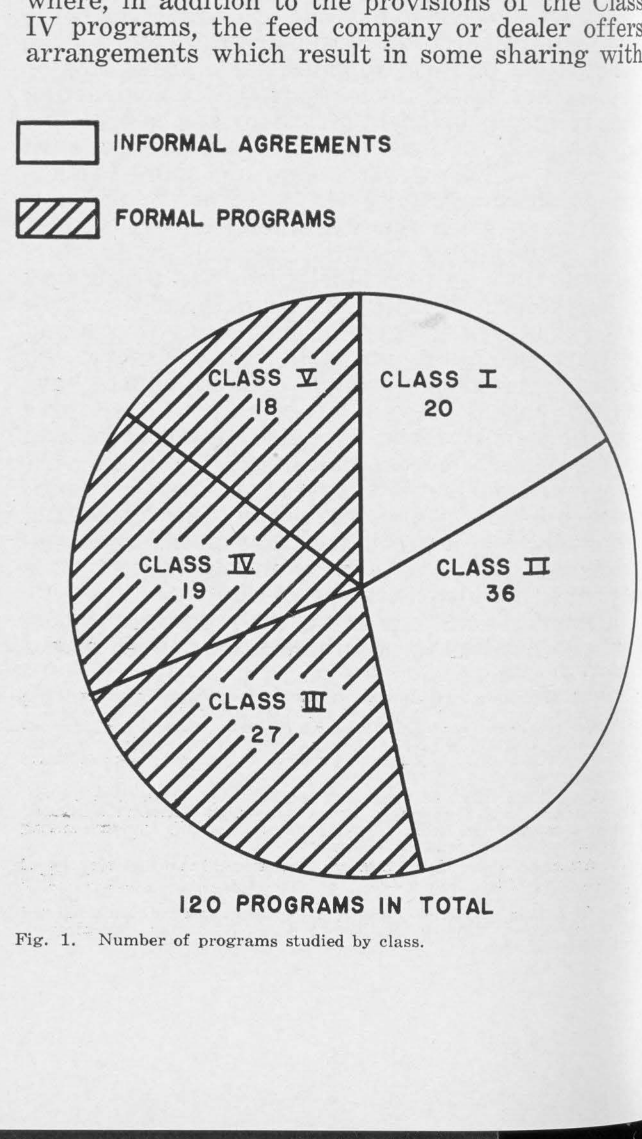

Fig. 1. Number of programs studied by class.

[4] In some of the more formalized programs, the feed company furnishes the feeder stock and formula feed and maintains title to the livestock so that technically no sale (and therefore no credit) is involved for the feed.

the farmer in the production or price risks on the livestock enterprise.

The number of programs in each of these five classes is shown in fig. 1. Fifty-six of them are informal financing agreements, and 46 are formalized contractual programs. Only 18 of the 120 provide any transfer of the farmer's production risks to the feed industry.

Many feed industry representatives do not think of the informal financing agreements covered by classes I and II as feeder contracts at all. Some would say only the Class V programs represent contract farming, because only in these programs is there any shifting of the farmer's risks to the feed industry. All three types of financing arrangements are included in this report for informational purposes. Each of the programs included requires the farmer to use a specified feed over a stated period of time. To this extent, he is taken out of the month-to-month competition in the solicitation of his feed business.

The number of programs that were studied for each class of livestock are shown in fig. 2. Of the 31 hog programs, 21 are informal arrangements, 7 are formal programs, and 3 are risk-sharing programs. All but two of the 27 cattle programs are informal arrangements. One is a formal program, and one is a risk-sharing program. But in the case of the turkey programs, the situation is reversed. Only two are informal arrangements. Twenty-five are formal programs and an additional nine are risk-sharing programs. Eight of the other poultry and egg programs are informal arrangements, while 13 are formalized programs, and 5 are risk-sharing programs.

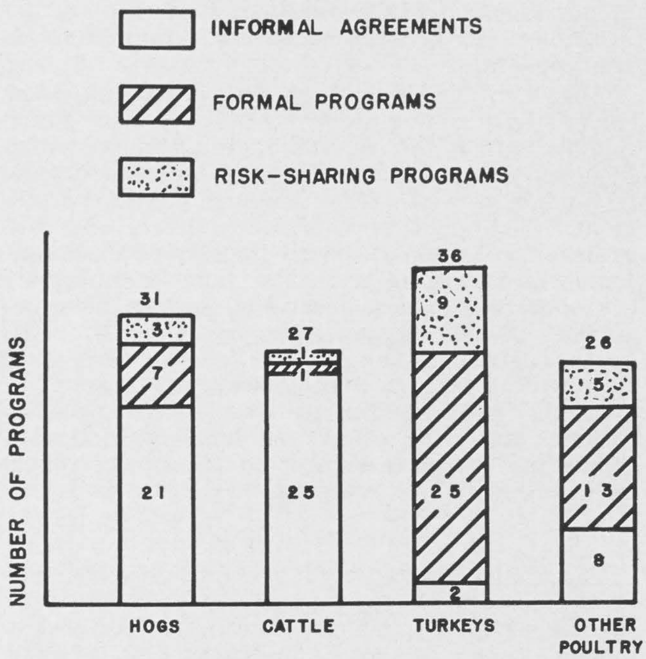

Fig. 2. Number of programs studied by types of livestock.

TABLE 1. PERCENTAGE OF PROGRAMS STUDIED WITH SPECIFIED CHARACTERISTICS.

Characteristics	Informal arrangements Class I	Class II	All	Formal programs Class III	Class IV	Class V	All
Agreement between farmer and:							
Dealer	30	19	23	37	58	28	41
Manufacturer	70	81	77	63	42	72	59
Financing offered:							
Supplement	45	40	41	7	0	0	3
Complete feed	30	30	30	26	16	6	17
Feed and supplies	25	30	29	67	84	94	80
Charges made to farmer:							
Interest	65	53	57	85	90	39	73
Service charge	35	47	43	15	10	6	11
No financing charge	0	0	0	0	0	55	16
Source of financing funds:							
Manufacturer	45	89	73	92	84	67	83
Local banks and agencies	30	0	11	4	0	22	8
Large city banks	25	11	16	4	16	11	9
Financing to dealers:							
Full dollar credit	50	64	59	74	63	50	64
Margin withheld	0	30	20	18	21	0	14
Financed on balance sheet	0	0	0	0	16	11	8
No financing	10	0	3	4	0	0	1
No dealers	40	6	18	4	0	39	13
Responsibility for bad debts:							
Manufacturer	70	81	77	78	68	78	75
Dealer	30	14	20	18	11	11	14
Dealer and manufacturer	0	5	3	4	21	11	11

Financing Arrangements Under the Programs

The nature of the financing arrangements under the programs studied is summarized in table 1. Percentage figures are shown for the informal arrangements and for the formal programs (including the risk-sharing programs). Separate percentages are shown for each class of program within these two types.

TYPE OF AGREEMENT

The largest percentage of the programs represents a written agreement between the feed manufacturer and the farmer. The agreements extend between the farmer and the manufacturer under 77 percent of the informal arrangements and under 59 percent of the formal programs. But in the individual classes of programs, the agreement extends between the dealer and the farmer in as high as 58 percent of the programs in Class IV.

The contracts used vary all the way from formidable legal documents to short, simple agreements. In roughly one-third of the programs, the document is called an agreement rather than a contract. But in all cases the contract (or agreement) essentially provides that the farmer use brand X feed for the livestock covered and provides him with financing of the feed over the livestock production cycle. Additional terms are included in many of the contracts, particularly with the formal programs.

In addition to the basic feeder contract or agreement, other documents are used with many of the programs. While not used in every case, delivery notes or delivery receipts are typical for the programs in all five classes and for all types of livestock. These delivery notes or receipts are signed by the farmer as he receives the feed. Chattel mortgages are typically used only for the turkey and poultry programs, regardless of class. They are used for hogs and cattle only in a few programs, and some feed manufacturers use them in one state and not in another. Financial statements frequently are obtained from the farmer in connection with the administration of the contract programs.

The form and length of the documents vary considerably among the different programs. Some involve only a one- or two-page document which includes the contract, the note and the chattel mortgage, as well as the farmer's financial statement. At the other extreme, some of the programs have a separate and impressive document for each of these instruments. Some manufacturers operating over a several-state area have designed the documents used so that they can readily be adapted to the peculiar laws in each state simply by filling out the appropriate blanks. In general, the documents are designed to appeal to farmers and involve less "red tape" on their part than they would encounter in obtaining similar financing from other sources.

FINANCING EXTENDED

The financing given to the farmer under the programs may be for supplement feed only, for the complete feed (including grain), or it may extend to other production supplies as well as to the feed. Almost without exception, the more formalized the program, the higher the percentage of arrangements which extend the financing to production supplies in addition to feed. Forty-one percent of the informal arrangements provide financing for supplement only, 30 percent finance complete feed, and 29 percent finance feed and production supplies. In the case of the formal programs, 3 percent finance supplement only, 17 percent finance complete feed, and 80 percent finance feed and production supplies. For Class V alone where risks are shared with the farmer, all but 6 percent of the programs finance production supplies along with the feed. None of them limits the financing to supplement only.

Of the 27 cattle programs, 16 provide financing for the supplement only, as contrasted to 7 of the 31 hog programs and only 2 of the 62 turkey and poultry programs. Eleven of the cattle programs provide financing of complete feed. This is true of 8 of the hog programs and 9 of the poultry programs. None of the cattle programs provides for financing of anything other than feed. However, 16 of the hog programs and 51 of the turkey and poultry programs offer financing for equipment, grain, livestock or other items in addition to the commercial feed. The types of other financing vary by type of livestock. In the case of turkey poults, the typical pattern is the two out of three financing, where the manufacturer or dealer will finance the commercial feed plus either (but not both) the poults or the grain. Some turkey programs do provide financing of all three, however. The hog programs which provide additional financing most typically finance some of the farmer's production equipment or facilities. Some do finance the breeder or feeder stock, however. Financing of breeders or chicks is common among the contracts applying to chickens. For all types of livestock, many of the programs in Class V entail sole or part *ownership* of the livestock by the feed manufacturer or dealer (rather than merely financing of this livestock).

FINANCING CHARGES

The farmer pays either interest on the financing extended to him or a service charge on the feed used under all the programs studied except those risk-sharing programs where joint ownership is involved. In the case of the informal arrangements, 57 percent make an interest charge, and 43 percent make a per-ton service charge. Of the 64 formal programs (including those involving risk-sharing), 73 percent provide for an interest charge, 11 percent provide for a service charge, and 16 percent require no specific financing charge.

In addition to the interest or service charges to the farmer, interest or service charges are made to dealers under some of the programs where the contract is made directly between the manufacturer and the farmer. This is true in about one out of four of the informal arrangements and in about one out of 10 of the formal contractual programs. The charges made to the dealer under these programs are somewhat more often service charges than interest charges. Charges to dealers vary more than those to farmers. In some cases they are lower than the charges made to farmers under the same program, in others they are the same, and in still others the charge to the dealer is more than the charge to the farmer.

In many of the programs where the contract is made between the dealer and the farmer, the feed manufacturer provides the dealer with credit on the feed out on contract. Typically, under such programs an interest or service charge is made by the manufacturer to the dealer, and the dealer determines the charges made to the farmer. The interest charges to dealers usually are 6 percent per year. Service charges commonly are $1 or $2 per ton. Under such programs the manufacturer collects the charges only from the dealer, rather than from both the dealer and the farmer as is true of the programs described in the preceding paragraph.

ULTIMATE SOURCE OF CAPITAL

The feed companies interviewed were asked about the ultimate sources of the capital required to extend credit under the contract programs. By far the most common ultimate source for this capital is the general operating capital of the manufacturer. This is true when the contract is written between the dealer and the farmer, as well as when it exists directly between the manufacturer and the farmer. The ultimate source of capital to finance the contracts is the manufacturers' general operating capital under 73 percent of the informal arrangements and under 83 percent of the formal programs. For some of the risk-sharing programs in Class IV, manufacturers have organized subsidiary financing corporations to handle the integrated programs.

Local banks and other lending agencies represent a major ultimate source of capital for both the most informal programs and the more formalized programs. They represent the ultimate source of capital under 30 percent of the programs in Class I and 22 percent of the programs in Class V.

Banks in large cities represent the third major ultimate source of capital for the feeder financing under the programs studied. They are the ultimate source of capital under 16 percent of the informal arrangements and under 9 percent of the formal contractual programs.

DEALER FINANCING

The next-to-last section in table 1 has to do with how the financing under the contracts is handled through the dealers. Some of the programs represent direct sales from the manufacturer to the farmer, so that no dealers are involved. This is true of 18 percent of the informal arrangements and 13 percent of the formal programs. A few of the programs that do work through dealers offer no financing to the dealer. This is true of 3 percent of the informal arrangements and 1 percent of the formal programs.

The rest of the programs studied do provide financing to the dealers. Most of them give the dealer full dollar credit on the sales under the program toward his wholesale purchases from the manufacturer. That is, he gets $1,000 wholesale credit for every $1,000 of feed sold under the program. This is the system used under 59 percent of the informal arrangements and under 64 percent of the formal contractual programs.

Under other programs, the dealer gets a tonnage credit on the sales under the program toward the purchase of his wholesale supplies. That is, he gets 10 tons of wholesale feed credit for every 10 tons of feed sold under his program. He does not get wholesale credit for his margin on the feed sold under contract in the case of these programs. Such programs make up 20 percent of the informal arrangements and 14 percent of the formal contract programs.

A few of the most formal contract programs provide wholesale credit to the dealer on the basis of his financial condition, irrespective of his feed sales under the program. Such balance sheet financing is extended to the dealer under 16 percent of the programs in Class IV and under 11 percent of the programs in Class V.

RESPONSIBILITY FOR BAD DEBT LOSSES

The feed manufacturer is ultimately responsible for the bad debt losses arising out of the contracts under most of the programs studied. Manufacturers bear all bad debt losses under 77 percent of the informal arrangements and under 75 percent of the formal programs. Feed dealers have sole responsibility for bad debt losses under 20 percent of the informal arrangements and 14 percent of the formal contractual programs.

The responsibility for bad debt loss is shared between the feed manufacturer and the feed dealer under a few of the programs studied. This is true of 3 percent of the informal arrangements and 11 percent of the formal programs. Under about half of the programs where the bad debt loss is shared, it is divided between the manufacturer and the dealer on a 50-50 basis. Under the other half, manufacturers have 60 percent and the dealers have 40 percent of the responsibility for bad debt losses under the programs.

Requirements of Farmers Under the Programs

The specific requirements which must be met by farmers to qualify for the program vary considerably among the 120 programs studied. There are no specific requirements under any of the 56 informal arrangements in classes I and II. Under the 64 formal contractual programs in classes III, IV and V, the requirements of farmers are either specified by written company policy and statements of requirements or they are worked out for each individual farmer by company representatives. The number of programs specifying the requirements of farmers by company policy or statements of requirements is shown in fig. 3.

HOUSING

Thirty of the 64 formal contract programs specify in writing the minimum standards for housing and facilities for the livestock under the program. Fourteen of these are Class III programs (those providing no arrangements for supplying the livestock or marketing the finished product). Six are Class IV programs (with arrangements for supplying livestock and/or marketing the finished product). Ten are Class V programs (with the feed industry sharing risks with farmers).

By type of livestock, 5 of the 30 programs specifying housing requirements are hog programs, 1 is a cattle program, 16 are turkey programs, and 8 are other poultry programs.

Under 34 of the formal programs, housing and facility requirements are determined by company representatives. These requirements are set by salesmen under 10 programs, by servicemen under 10 programs and by livestock production specialists under 14 of the programs.

SIZE OF ENTERPRISE

The minimum size of enterprise is formally specified under only 26 of the programs studied. Four of these are hog programs, 1 is a cattle program, 13 are turkey programs, and 8 are other poultry programs.

The minimum size specified in the market hog programs varies from 25 head to 200 head. The requirement for one of the swine breeding herd programs is 40 head of gilts. The requirement of one cattle program is 100 head. The required flock size for the turkey programs varies from 500 birds to 5,000 birds. The specified minimum

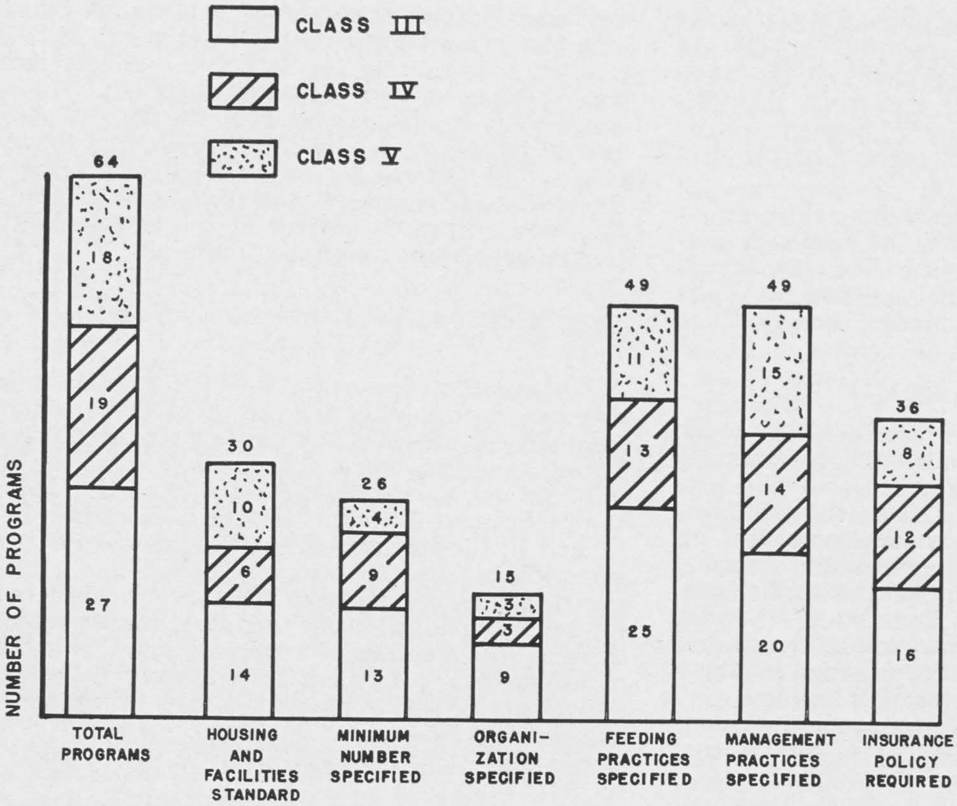

Fig. 3. Number of programs specifying minimum requirements of farmers.

size for poultry laying flocks varies from 300 birds to 1,000 birds.

ORGANIZATION OF ENTERPRISE

The type of organization of the livestock enterprise meets minimum standards in total under only 15 of the programs. All but two of these are poultry programs—10 being turkey programs and 3 being poultry egg programs. The total enterprise organization is standardized under two of the hog programs.

FEEDING PRACTICES

Forty-nine of the formal contractual programs specify a standardized feeding program. By type of livestock, 9 of the 49 are swine programs, 1 is a cattle program, 24 are turkey programs, and 15 are other poultry programs.

Only 15 of the programs in classes III, IV and V do not require a standardized feeding program. Nine of these depend upon specialists and fieldmen to work out the feeding program for individual farmers. Four provide a feeding manual of instruction, but go only so far as to recommend and encourage a specific feeding program. Two programs depend entirely upon individual dealers to enforce an approved feeding program.

MANAGEMENT PRACTICES

Standard management practices are specified under 49 of the programs—20 being in Class III, 14 in Class IV and 15 in Class V. Standard management is required under 8 of the swine programs, 1 cattle program, 24 turkey programs and 16 programs for other poultry.

Under these 49 programs, fieldmen or salesmen typically inspect the farmer's livestock operation and file a written report every month or, in some cases, every 2 weeks. The management requirements are more detailed and strict for the programs covering layers and breeding herds than for those covering feeding programs. In addition to the 49, eight more of these programs actually require definite management practices, but they are worked out for the individual farmer by company fieldmen. Only seven of these 64 programs rely on dealers or upon the original selection of competent feeders for assurance that approved management practices will be followed.

INSURANCE

Thirty-six of the programs studied require the farmer to carry insurance, and the company carries insurance at no direct cost to the farmer under nine more of the programs. Insurance is neither furnished nor specifically required under 10 of the programs in Class III, 5 of the programs in Class IV and 4 of the programs in Class V.

In the case of 13 of the 36 programs requiring the farmer to carry insurance, insurance is made available through the feed manufacturer. But in only two of these programs is the farmer required to use an insurance policy of the feed company. In about half of the 36 programs, the feed manufacturer does finance the insurance premium for the farmer.

OTHER REQUIREMENTS

Of other requirements under the Class III, Class IV and Class V programs, the most common deals with the financial standing and credit position of the farmer. Of these programs, 19 specifically require that the farmer be in good financial position and has demonstrated his ability to make money with the livestock. Examples of additional requirements specifically mentioned include notification of changes in the joint ownership of livestock under farm leasing arrangements, prohibition from freezing and storing turkeys after they have been slaughtered, specific disease-control measures and requirements as to marketing channels.

Arrangements for Feeder and Breeder Stock and for Marketing

No specific arrangements for obtaining feeder and breeder stock or for marketing the finished products are provided under 83 of the 120 programs. Only the 19 Class IV programs and the 18 Class V programs provide for such arrangements. Some of these provide for arrangements for obtaining the feeder or breeder stock but not for marketing. Some provide for marketing but not for obtaining the breeder or feeder stock. Others provide for both.

Most of the programs providing arrangements for the source of livestock supply and/or marketing are turkey and other poultry programs. Class IV includes no hog or cattle programs. Class V includes three hog programs and one cattle program.

ARRANGEMENTS FOR FEEDER AND BREEDER STOCK

Under 34 of the 37 programs in classes IV and V, the feed industry either owns outright or finances the ownership of the feeder or breeder stock. Under 25 of the programs, the producer owns the livestock, and the feed manufacturer extends financing to him for this livestock. Under 20 of the 25, the financing is extended directly from the manufacturer to the farmer. In the remaining five, the financing for the livestock is extended through the dealer.

In the case of nine of the programs, all in Class V, the manufacturer maintains title to the livestock. This is the case for the three hog programs, one cattle program, four turkey programs and one egg program. The three programs which provide no financing of the livestock are all egg programs under Class IV.

The breeder or feeder stock is supplied to the farmer as an integral part of the contract under 13 of the programs studied. Such stock is furnished by the feed manufacturer under 11 programs and by the feed dealer under two of them. Where the stock is furnished by the manufacturer, the manufacturer usually has separate arrangements with producers of the breeder or feeder stock for a source of supply of such livestock.

Ten of the 24 programs which do not furnish the breeder or feeder stock to the farmer specify the source of supply as well as the type and breed or strain of breeder or feeder livestock. Thus under 23 of the 37 programs in classes IV and V, the type and source of the breeder or feeder livestock is directly controlled under the contract. In addition, specific breeds or strains of livestock and sources for them are recommended and encouraged under 10 more of the programs. No specific arrangements for the breeding and feeding stock are made under only four of the 37 programs—two turkey programs and two chick-feeding programs.

ARRANGEMENTS FOR MARKETING

The market outlet is furnished to the farmer under 13 of the 37 programs in classes IV and V. The market outlet is furnished through the feed manufacturer in the case of 12 of these programs. The market is furnished through the feed dealer under one of the egg programs in Class IV.

Of the 24 programs which do not provide the market outlet as a part of the contract, 16 of them require that the farmer's market outlet be approved by the feed company. Altogether, therefore, 29 of the programs control the market outlet for the finished product as a condition of the contract. The farmer has no specific requirements with respect to marketing the livestock or livestock products in the case of six of the Class IV programs and two of the Class V programs.

The programs in classes IV and V vary as to their provisions regarding marketing contracts. Marketing contracts are an integral part of the feeder contract program under five of the programs in Class IV and 11 of the programs in Class V. Separate marketing contracts are required under six of the programs in Class IV and two of the programs in Class V. Such marketing contracts are recommended and encouraged under five of the programs in Class IV and three of the programs in Class V. No particular requirement or encouragement is given for contracts for the marketing of the livestock or livestock products under three of the programs in Class IV and two of the programs in Class V. This last statement is also true of the 83 programs falling into classes I, II and III.

Livestock Production Risks Assumed by the Feed Industry

In contrast to the contract programs used by the feed industry in other sections of the country, the programs used in Iowa, Illinois, Missouri, Nebraska, South Dakota and Minnesota provide relatively little transfer of the farmer's risks in livestock production to feed manufacturers and dealers. Out of the 120 programs studied, only the 18 in Class V provide any such transfer of risk. And in most cases the extent of the risk transferred is limited even under these 18 programs.

The farmer is assured of a fixed income under only one of the 18 risk-sharing programs. This is a turkey program where the feed manufacturer maintains ownership of the birds, and the farmers under the program are on a fixed annual income. The kind of income guarantee to the farmer under the other 12 programs consists of either a minimum loss provision, an extra income incentive for productive efficiency, or both.

Of the 17 programs (excluding the one which guarantees a fixed income) 12 provide extra income for productive efficiency, and 12 provide minimum loss guarantees. This means that seven of the programs provide both efficiency incentives and minimum losses, while five provide efficiency incentives but no minimum loss, and five others provide minimum loss but no efficiency incentives to the farmer.

The responsibility for loss under these income guarantees to the farmer may be borne by the feed manufacturer, by the feed dealer, or it may be shared by the manufacturer and the dealer. The manufacturer is responsible for any losses resulting from income guarantees to the farmer under 12 of the 18 programs studied. The dealer is responsible for such losses under five of the programs, and the responsibilities of loss are shared between the manufacturer and the dealer under one of them.

Another responsibility assumed by feed manufacturers and dealers under some of the programs in Class V is that of death losses (not fully covered by insurance) among the livestock under contract. The manufacturer or dealer assumes full responsibility for death loss under five of the programs. Neither the manufacturer nor the dealer assumes any responsibility for death loss in the case of 10 programs. Any death loss is shared between the manufacturer (or dealer) and the farmer under three of the 18 programs.

SALES VOLUME UNDER FINANCING AND CONTRACT PROGRAMS

The 26 feed manufacturers furnished the tonnage of feed sales under each of their financing and contract programs during 1958 and provided estimates of this tonnage for 1959. The estimates were obtained separately for each of the six Midwest states and for each type of livestock, as well as by type of program.

The total volume of sales under financing and contract programs in each of the six states for the 26 companies is reported here in three sections. The first section reports the total tonnage sold under the programs. The second gives the relative importance of the volume under each class of program and for each type of livestock. And the third section relates the sales volume under contract for the 26 companies to the total industry sales for the comparable periods.

Tonnage Sold Under Contract

The total tonnage of feed sales under the 120 financing and contract programs is shown in table 2 by type of livestock. The tonnages for 1958 are given in the upper section and those for 1959 in the lower section of the table. In 1958, the total sales under contract by the 26 companies in the six states were: hog feeds, 231,000 tons; cattle feeds, 67,500 tons; turkey feeds, 327,000 tons; and chicken feeds, 220,000 tons. Reported sales under contract increased in 1959 for all classes of livestock and came to 281,000 tons of hog feeds, 110,000 tons of cattle feeds, 376,000 tons of turkey feeds and 290,500 tons of chicken feeds. For the six states, the increase in the tonnage under the programs studied between the 2 years amounted to 50,128 tons of hog feeds, 42,523 tons of cattle feeds, 48,938 tons of turkey feeds and 70,636 tons of other poultry feeds.

The sales of all four classes of livestock feeds under contract were substantially greater in Iowa than in any of the other five states in 1959. In 1958, the contract sales of chicken feeds in Missouri exceeded those in Iowa by 2,600 tons. For both years, contract sales of turkey feeds exceeded those of any other class of livestock in Iowa, Minnesota and Nebraska. In Illinois and South Dakota, a greater tonnage of hog feed was sold under contract than for any other type of livestock. Chicken feeds represented the largest volume of contract sales in Missouri.

The tonnage of feed sales of the 26 manufac-

TABLE 2. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS BY TYPE OF LIVESTOCK BY STATE FOR 1958 AND 1959.

Type of livestock	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
Hogs	78,369	47,017	40,515	29,801	29,209	6,260	231,171
Cattle	24,973	14,682	10,706	6,501	8,525	2,178	67,565
Turkeys	127,633	27,964	58,307	63,472	45,324	4,632	327,332
Other poultry	59,831	40,340	62,439	28,908	24,532	3,869	219,919
Total	290,806	130,003	171,967	128,682	107,590	16,939	845,987
Reported tonnage for 1959:							
Hogs	102,095	52,244	50,714	33,067	36,058	7,121	281,299
Cattle	50,394	17,236	16,462	7,339	16,170	2,487	110,088
Turkeys	151,010	31,439	72,037	69,037	47,660	5,087	376,270
Other poultry	96,593	44,124	74,515	32,302	36,741	6,280	290,555
Total	400,092	145,043	213,728	141,745	136,629	20,975	1,058,212

TABLE 3. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS BY CLASS OF PROGRAM BY STATE FOR 1958 AND 1959.

Type of program	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
Informal financing agreements	87,070	52,548	32,256	21,759	29,630	5,381	228,644
Formalized contractual programs	161,030	54,764	100,008	88,165	63,866	8,672	476,505
Risk-sharing contract programs	42,706	22,691	39,703	18,758	14,094	2,886	140,838
Total	290,806	130,003	171,967	128,682	107,590	16,939	845,987
Reported tonnage for 1959:							
Informal financing agreements	124,075	59,472	40,531	24,318	40,634	6,187	295,217
Formalized contractual programs	229,778	60,514	130,306	96,992	80,595	11,634	609,819
Risk-sharing contract programs	46,239	25,057	42,891	20,435	15,400	3,154	153,176
Total	400,092	145,043	213,728	141,745	136,629	20,975	1,058,212

turers in the six states for the 2 years for each of the three types of programs is shown in table 3. The 1959 sales showed an increase over 1958 sales for all three types of programs. The greatest increase between the 2 years came in the formalized contractual programs, where the gain was 133,314 tons.

The formalized contractual programs represented a larger tonnage than either of the other types of programs in all six of the individual states in both years. The informal financing agreements were relatively more important in Illinois than in the other five states, while the largest tonnage under the risk-sharing programs was sold in Iowa and Missouri in both 1958 and 1959.

A further breakdown in the sales tonnage under contract for the companies and area studied is shown in tables A-5 through A-9 in the appendix. These tables separate the tonnage of sales under the programs by type of livestock within each class and subclass of contract program studied.

Percentage Breakdown of Contract Sales

To facilitate comparisons, the total contract sales of the 26 manufacturers for the six-state area have been separated in terms of percentages. The percentages of the total tonnage sold under the programs for each of the three kinds of programs and each of the types of livestock are shown in fig. 4. These percentages for 1958 appear at the top and those for 1959 at the bottom of the figure.

As a percentage of the total sales under the 120 programs, the percentage representing hog programs decreased from 27.3 percent in 1958 to 26.6 percent in 1959. This entire decrease occurred under the informal agreements for financing hog feeds. Cattle programs increased from 8 percent of the total sales in 1958 to 10.4 percent of total sales in 1959, the increase coming entirely in the informal agreements for financing cattle feeds. Sales under the turkey programs decreased from 38.7 percent in 1958 to 35.5 percent in 1959. This percentage decrease was shared by the formal turkey financing programs and the risk-sharing contract programs for turkeys. Sales under the other poultry programs increased from 26 percent in 1958 to 27.5 percent in 1959. This percentage increase came almost entirely under the formal contract egg programs.

It will be noted from fig. 4 that these informal agreements account for the largest percentage of the sales of hog and cattle feeds under financing in the six states. By contrast, the formal pro-

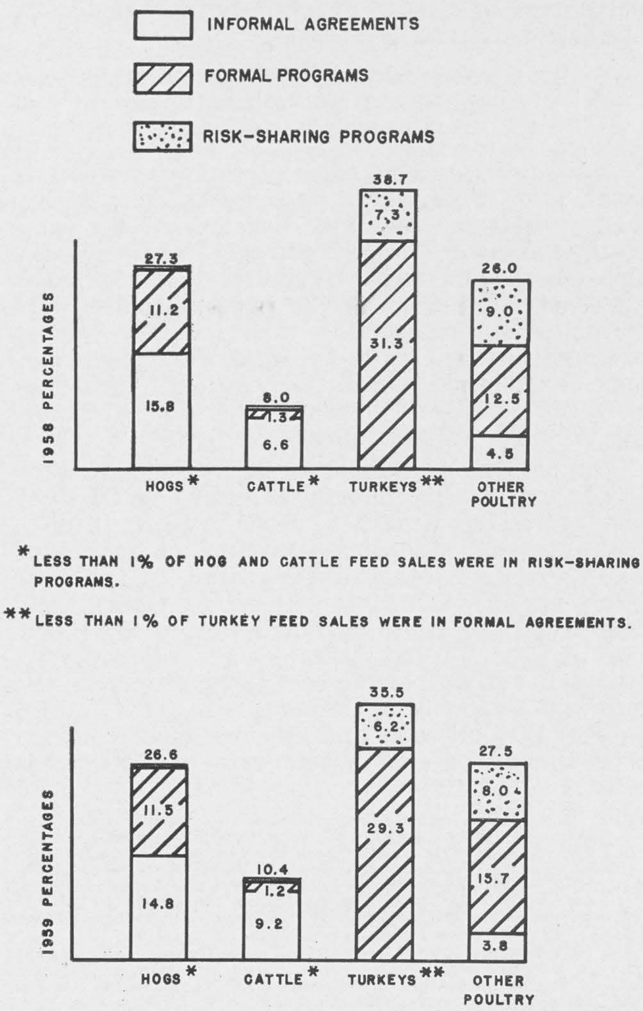

Fig. 4. Percentage of total reported tons of feed sales under financing and contract programs represented by each type of livestock feed in 1958 and 1959.

grams and risk-sharing programs represent the largest percentage of total financed sales of turkey and other poultry feeds.

The percentage of total reported tons of feed sales under the 120 programs represented by each type of livestock feed in 1959 for each of the six states is shown in fig. 5. Contract hog feed sales represented the largest percentage of the total in Illinois and the smallest percentage of the total in Minnesota and Missouri. Cattle feed sales under the programs made up the largest percentage of the total in Iowa and the smallest percentage of the total in Minnesota. As a percentage of the total under all 120 programs, the turkey programs were far larger in Minnesota than in any other state and substantially smaller in Illinois and South Dakota than in the other states. The other poultry programs made up the largest percentage of the total sales of financed feeds in Missouri and the smallest percentage of the total in Minnesota.

More details on the percentage breakdown of financed feed sales among the programs and types of livestock are given in appendix tables A-1 and A-2. The percentage by type of livestock for each of the individual states is shown in table A-1. The percentage by class of program for each of the six states is contained in table A-2.

Percentage of Total Industry Sales Represented by Sales Under Financing Programs

The sales tonnage under contract programs is much more meaningful when related to total industry sales for the same livestock in the same state or region. The percentages of total industry sales in the six states represented by the sales under the 120 financing programs studied were estimated by comparison with industry figures prepared by the USDA, *Feedstuffs* and the American Feed Manufacturers Association.[5] These percentages by type of livestock and kind of financing program are summarized in fig. 6.

The programs studied represented an estimated 15 percent of total industry sales of hog, beef and poultry (including turkey) feeds in 1958. In 1959, the programs studied represented an estimated 18.6 percent of total industry sales. In 1959, the informal agreements represented 7.1 percent, and the formal contract programs represented 5.6 percent of total industry sales of hog feeds in the six states. In the case of the beef cattle programs, the informal financing agreements accounted for 8.6 percent of total sales and the formalized contract programs 1.1 percent of total sales of cattle feeds

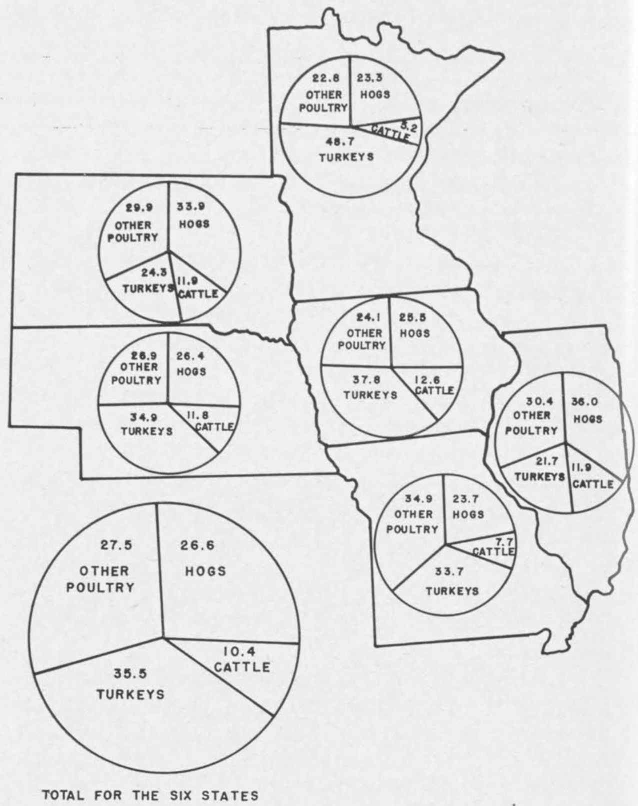

Fig. 5. Percentage of total reported tons of feed sales under financing contract programs represented by each type of livestock feed in 1959 by state.

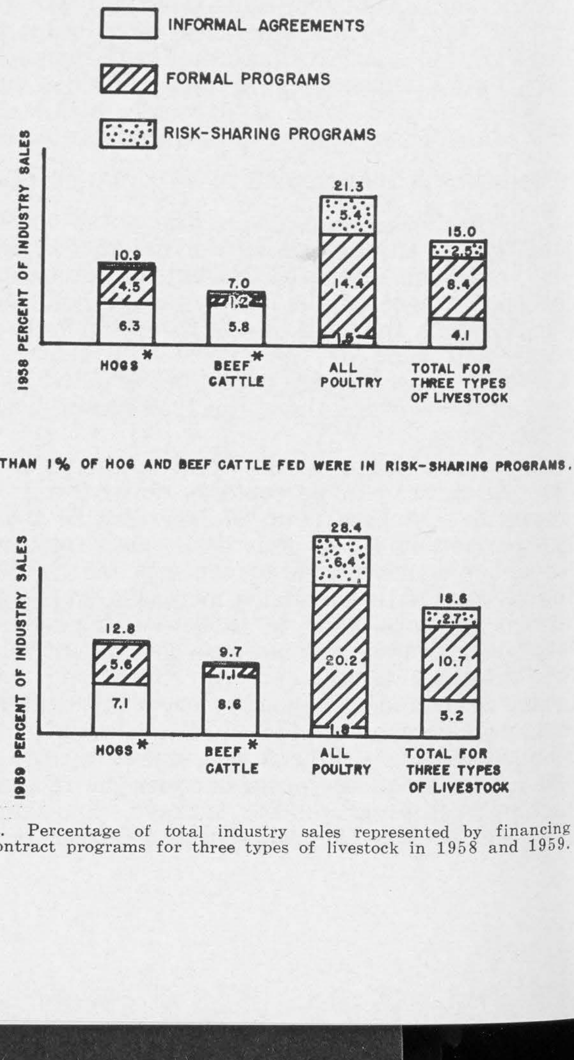

Fig. 6. Percentage of total industry sales represented by financing and contract programs for three types of livestock in 1958 and 1959.

[5] Total 1958 industry sales by type of livestock except beef cattle from: Consumption of formula feeds. The Miller Publishing Company, 1959. Total industry sales of beef cattle feeds for Iowa, Missouri and Nebraska from: The feed situation. Agricultural Marketing Service, USDA. Sept. 1959. p. 18. Total industry sales of beef cattle feeds for Illinois, Minnesota and South Dakota estimated from the figures in the two above reports to be as follows for 1958: Illinois, 217,000 tons; Minnesota, 27,000 tons; South Dakota, 71,000 tons.

Total 1959 industry sales by type of livestock estimated from the 1958 sales figures and the percentage change in feed production in 1959 over 1958 by region as reported to American Feed Manufacturers Association. Latter figures from AFMA Market Research Bulletin. Gen. Circ. No. V-6. Feb. 1960; and from personal correspondence from Oakley M. Ray, Feb. 19, 1960. AFMA figures for Area 5 used for Illinois; those for Area 6 used for Minnesota and South Dakota; and those for Area 7 used for Nebraska, Missouri and Iowa.

in the six states in 1959. The programs studied covered a much larger percentage of total industry sales of turkey and poultry feeds. In 1959, the percentage of total sales of poultry feeds represented by the informal financing agreements was 1.8 percent, that represented by the formal contractual programs was 20.2 percent, and that represented by the integrated risk-sharing programs was 6.4 percent.

The estimated percentages of total industry sales by state represented by the programs studied are shown by type of livestock in table A-3 and by class of program in table A-4 (see appendix). The financing programs represented the highest percentage of total hog feed sales in Nebraska, the highest percentage of beef cattle feed sales in Minnesota and the highest percentage of poultry feeds (including turkey feeds) in Nebraska. In percentage of total industry sales, the risk-sharing programs were largest in Missouri and smallest in South Dakota. Both the informal financing programs and the formalized contractual programs represented a higher percentage of total industry sales in Nebraska than in any of the other five states studied.

TRENDS IN FINANCING AND CONTRACT PROGRAMS

Increases in sales in 1959 over 1958 were found for most of the kinds of programs and types of livestock studied. The increases were greater for turkey and poultry programs than for the hog and cattle programs. This 2-year period is too short for establishing reliable trends, however. Furthermore, farm incomes were down in 1959 as compared with 1958, so that the farmer's need for financing by the feed industry may have been greater.

Probably of much more significance are the changes taking place in the types of financing and contract programs. These are reflected in the study by (1) the changes in 1959 from 1958, (2) the new and experimental programs being considered by the feed manufacturers and (3) the general attitude toward the programs by the feed company officials contacted.

Shifts From 1958 to 1959

Two types of shifts in the relative volume of sales under the financing and contract programs seem to be significant. One is the shift from Class I programs to Class II programs within the informal financing agreements. This reflects a move toward closer supervision of the farmer's livestock operation when he is under a financing agreement. The shift from Class I to Class II programs seemed to be particularly marked in Nebraska and Iowa.

The second shift which appears to be significant is the move from Class III programs to Class IV programs within the formalized contractual arrangements. Both of these classes provide production requirements and controls for the farmer, but the Class IV programs have provisions for obtaining feeder and breeder livestock and/or for marketing the finished product. In addition to this shift from Class III to Class IV programs, more and more of the Class IV programs are making provisions for both the livestock supply and the marketing of the product. Apparently feed manufacturers and dealers are finding it desirable to enter such arrangements in connection with their formalized contract financing.

A shift away from the risk-sharing contract programs also was noted between the 2 years. This may indicate a tendency to back away from the broiler type of contract program in the Midwest. Or it may be that with the declining livestock prices in 1959, feed manufacturers and dealers were merely recognizing that risk-sharing programs would be less profitable to them in 1959 than they were in 1958. In any case, the risk-sharing programs represented 16.7 percent of all sales under financing and contract programs in 1958, as compared with only 14.5 percent in 1959 (see table A-2).

New Programs Under Consideration

It is significant that the feed manufacturers are moving cautiously on their new programs, giving them careful study and trial before making major efforts to put them into operation. Even some of the programs which have already been taken through the experimental stages apparently are being held in abeyance until there should develop a greater demand for them or a more opportune time to put them into practice.

The major additional kinds of hog and cattle programs under consideration would involve an arrangement between the feed manufacturer and a meat packing company for a completely integrated marketing program as well as the feeding program. Most of these would parallel the arrangements between feed manufacturers and broiler processors common in the commercial broiler production areas. Although the farmer would receive a premium for high feed conversions and for high quality livestock under some of these programs, none would guarantee him a fixed price or income. Most of them would provide farmers under the program with some sort of arrangement for obtaining approved parent stock or feeders, however. The detailed arrangements for the marketing of the hogs or cattle and for the supply of feeders vary among the different programs under study.

The dairy programs under study would offer more complete financing and management services to commercial dairy farmers with reliable milk outlets. Financing would extend to production equipment and supplies, as well as to the feed. One of the experimental programs mentioned furnishes the feed and extends financing through a cow pool which is operated jointly by several dairy producers.

The new or experimental contract programs for turkeys mentioned by the manufacturers contacted represent movement toward completely integrated operations, including the source of the birds, the feed and the marketing of poults. These turkey programs are like many of the broiler contract programs in the South in that the producer, once he decides to enter the program, does not have to make decisions regarding the supply of birds or the marketing of the poults. These are arranged under the program. But the fully integrated turkey programs in the Midwest are different from many of the southern broiler programs in one key respect—they do not give the producer an assured price for his birds irrespective of the market price.

Like the programs for the other livestock, the egg programs under study by the feed manufacturers visited represent further trends toward complete integration through furnishing the pullets to marketing the eggs. Most of these would operate through feed dealers who also have hatcheries and through separate egg marketing agencies, comparable to most of the fully integrated egg programs under which 176,500 tons of poultry feeds were sold in Iowa and the five bordering states in 1959. A few of the manufacturers are considering their own egg handling plants, however.

But like the existing egg programs in the Midwest, those programs under study by the feed manufacturers would base the price the producer receives for his eggs on a current market price (in either the local or a central market). They would not guarantee the producer a definite egg price. One experimental program reported represents an exception; under this program the producer would receive a price for eggs based on his cost of production.

SUMMARY

Feeder financing and contract programs are being used to an increasing extent by feed manufacturers and dealers in the Midwest. The 26 feed manufacturers studied have a total of 120 different financing and contract programs in operation in Iowa, Illinois, Missouri, Nebraska, South Dakota and Minnesota. Of the 120 programs, 56 are informal financing agreements, 46 are formalized contractual programs, and 18 are integrated programs with feed companies sharing production risks with farmers.

The programs studied cover all types of livestock. Thirty-one are swine-herd and hog-feeder programs, 27 are beef-feeding and dairy programs, 36 are turkey-breeder and turkey-poult programs, and 26 are chicken and egg programs.

While all but three of the programs require the farmer to sign a feeder contract or agreement, they vary greatly in the requirements, supervision and control of the farmer's livestock enterprise. Of the 56 informal financing agreements, 20 provide little more than feed financing through the production cycle. Thirty-six provide for supervision of the farmer's livestock enterprise, but not for specific standards and controls. All 46 of the formalized contractual programs provide for minimum production standards and control as well as supervision of the feeding program. Nineteen of them provide an integrated source of livestock supply and/or marketing program. Only 18 of the 120 programs are integrated to the extent that the farmer's risks are shared by the feed manufacturer or dealer. And most of these are "partnership" arrangements in the livestock production and not programs which assure the farmer a definite price for, or income from, his livestock.

The financing and contract programs of the 26 feed manufacturers accounted for an estimated 18.6 percent of total sales of hog, beef and poultry feeds in the six-state area in 1959. Of the total 18.6 percent, the informal financial agreements made up 5.2 percent, the formalized contractual programs made up 10.7 percent, and the integrated risk-sharing programs made up 2.7 percent of total feed sales in 1959. By type of livestock, the 120 programs represented nearly 13 percent of the industry sales of hog feeds, nearly 10 percent of the industry sales of beef feeds and about 28.5 percent of the turkey and chicken feeds sold in Iowa and surrounding states.

The programs studied made up a larger percentage of total industry sales in 1959 than they did in 1958. The increase in sales of poultry feeds between the 2 years amounted to over 7 tons out of every 100 tons sold in the six states. Sales of hog feeds under the programs accounted for 2 percent more of industry sales in 1959 than 1958, while the increase in cattle programs amounted to 2.7 percent of total sales. The greatest change in sales under the programs as a percentage of total industry sales from 1958 to 1959 came in Iowa (with a gain of 5.5 percent), Missouri (with a gain of 5.4 percent) and Nebraska (with a gain of 5.1 percent). The gain in this percentage between the 2 years was 1.6 percent in Illinois, as compared with only 0.7 percent in South Dakota and 0.5 percent in Minnesota.

Noticeable changes are apparent since 1958 in the kinds of financing and contracts being used by feed companies in the Midwest. In programs where no arrangements are provided for supplying the livestock or marketing the finished product, the tendency is away from the loose arrangements toward more production supervision of the farmer's operation. And under the programs which provide it, the tendency is toward more complete integration of the supply of breeder or feeder stock and the marketing of the livestock and livestock products. Finally, there is a tendency away from programs which underwrite or guarantee the farmer fixed prices for, or income from, the livestock under contract.

APPENDIX

TABLE A-1. PERCENTAGE OF TOTAL REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS REPRESENTED BY EACH TYPE OF LIVESTOCK FEED IN 1958 AND 1959.

Type of livestock	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported percentage in 1958:							
Hogs	26.9	36.2	23.6	23.2	27.2	37.0	27.3
Cattle	8.6	11.3	6.2	5.0	7.9	12.9	8.0
Turkeys	43.9	21.5	33.9	49.3	42.1	27.3	38.7
Other poultry	20.6	31.0	36.3	22.5	22.8	22.8	26.0
Total	100	100	100	100	100	100	100
Reported percentage in 1959:							
Hogs	25.5	36.0	23.7	23.3	26.4	33.9	26.6
Cattle	12.6	11.9	7.7	5.2	11.8	11.9	10.4
Turkeys	37.8	21.7	33.7	48.7	34.9	24.3	35.5
Other poultry	24.1	30.4	34.9	22.8	26.9	29.9	27.5
Total	100	100	100	100	100	100	100

TABLE A-2. PERCENTAGE OF TOTAL REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS SOLD UNDER EACH CLASS OF PROGRAM IN 1958 AND 1959.

Class of program	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported percentage in 1958:							
I. Programs without management supervision	9.0	9.5	0.9	1.9	6.7	3.4	5.9
II. Programs with management supervision	20.9	30.9	17.9	15.0	20.8	28.3	21.0
III. Programs with management control	23.9	27.5	32.2	40.9	21.5	40.1	28.8
IV. Programs with integrated marketing and/or livestock supply	31.5	14.6	26.0	27.6	37.9	11.2	27.6
V. Programs where industry assumes price risk on livestock	14.7	17.5	23.0	14.6	13.1	17.0	16.7
Total	100	100	100	100	100	100	100
Reported percentage in 1959:							
I. Programs without management supervision	6.7	8.2	0.8	1.7	4.7	2.8	4.7
II. Programs with management supervision	24.3	32.8	18.2	15.5	25.0	26.8	23.2
III. Programs with management control	20.9	26.9	29.8	40.3	20.8	35.9	26.4
IV. Programs with integrated marketing and/or livestock supply	36.6	14.8	31.1	28.1	38.2	19.5	31.2
V. Programs where industry assumes price risk on livestock	11.5	17.3	20.1	14.4	11.3	15.0	14.5
Total	100	100	100	100	100	100	100

TABLE A-3. PERCENTAGE OF TOTAL INDUSTRY SALES REPRESENTED BY FINANCING AND CONTRACT PROGRAMS FOR THREE TYPES OF LIVESTOCK IN 1958 AND 1959.[a]

Type of Livestock	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Percentages for 1958:							
Hogs	8.9	9.7	13.7	12.6	20.0	7.2	10.9
Beef cattle	6.4	6.7	12.0	23.9	5.0	3.1	7.0
Poultry	31.6	9.2	21.8	19.8	41.9	19.8	21.3
Total	15.7	9.0	18.3	17.6	22.3	8.4	15.0
Percentages for 1959:							
Hogs	11.2	10.8	16.4	13.0	23.8	7.6	12.8
Beef cattle	10.9	7.3	15.6	20.7	8.0	2.7	9.7
Poultry	47.4	11.5	30.0	20.5	57.6	24.9	28.4
Total	21.2	10.6	23.7	18.1	27.4	9.1	18.6

[a] Total 1958 industry sales by type of livestock except beef cattle from: Consumption of formula feeds. The Miller Publishing Company. 1959. Total industry sales of beef cattle feeds for Iowa, Missouri and Nebraska from: The feed situation. Agricultural Marketing Service, USDA. Sept. 1959. p. 18. Total industry sales of beef cattle feeds for Illinois, Minnesota and South Dakota estimated from the figures in the two above reports to be as follows for 1958: Illinois, 217,000 tons; Minnesota, 27,000 tons; South Dakota, 71,000 tons.

Total 1959 industry sales by type of livestock estimated from the 1958 sales figures and the percentage change in feed production in 1959 over 1958 by region as reported to American Feed Manufacturers Association. Latter figures from AFMA Market Research Bulletin. Gen. Circ. No. V-6. Feb. 1960; and from personal correspondence from Oakley M. Ray, Feb. 19, 1960. AFMA figures for Area 5 used for Illinois; those for Area 6 used for Minnesota and South Dakota; and those for Area 7 used for Nebraska, Missouri and Iowa.

TABLE A-4. PERCENTAGE OF TOTAL INDUSTRY SALES OF HOG, BEEF AND POULTRY FEEDS REPRESENTED BY EACH CLASS OF FINANCING AND CONTRACT PROGRAM IN 1958 AND 1959.

Class of program	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported percentage in 1958:							
I. Programs without management supervision	1.4	0.8	0.1	0.3	1.5	0.3	0.9
II. Programs with management supervision	3.3	2.8	3.3	2.6	4.6	2.4	3.2
III. Programs with management control	3.8	2.5	5.9	7.2	4.8	3.4	4.3
IV. Programs with integrated marketing and/or livestock supply	4.9	1.3	4.8	4.9	8.5	0.9	4.1
V. Programs where industry assumes price risk on livestock	2.3	1.6	4.2	2.6	2.9	1.4	2.5
Total	15.7	9.0	18.3	17.6	22.3	8.4	15.0
Reported percentage in 1959:							
I. Programs without management supervision	1.4	0.9	0.2	0.3	1.3	0.2	0.8
II. Programs with management supervision	5.2	3.5	4.3	2.8	6.8	2.4	4.4
III. Programs with management control	4.4	2.8	7.1	7.3	5.7	3.3	4.9
IV. Programs with integrated marketing and/or livestock supply	7.7	1.6	7.4	5.1	10.5	1.8	5.8
V. Programs where industry assumes price risk on livestock	2.5	1.8	4.7	2.6	3.1	1.4	2.7
Total	21.2	10.6	23.7	18.1	27.4	9.1	18.6

TABLE A-5. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS FOR CLASS I PROGRAMS (THOSE WITHOUT MANAGEMENT SUPERVISION) BY TYPE OF LIVESTOCK BY STATE FOR 1958 AND 1959.

—	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
A. Arrangements for production supplies							
Hogs	7,750	3,000	—	—	300	150	11,200
Cattle	2,430	1,800	—	—	180	90	4,500
Total	10,180	4,800	—	—	480	240	15,700
B. No arrangements for production supplies							
Hogs	7,740	3,373	1,026	1,110	3,374	159	16,782
Cattle	7,130	3,535	347	1,123	2,742	155	15,032
Poultry breeders	1,196	598	132	209	598	30	2,763
Total	16,066	7,506	1,505	2,442	6,714	344	34,577
Reported tonnage for 1959:							
A. Arrangements for production supplies							
Hogs	9,019	3,300	—	75	450	173	13,017
Cattle	2,916	1,890	—	50	252	99	5,207
Poultry meat	—	—	200	—	—	—	200
Total	11,935	5,190	200	125	702	272	18,424
B. No arrangements for production supplies							
Hogs	6,227	2,591	948	836	2,592	119	13,313
Cattle	7,091	3,357	361	1,114	2,354	148	14,425
Poultry breeders	1,593	796	188	279	796	40	3,692
Total	14,911	6,744	1,497	2,229	5,742	307	31,430

TABLE A-6. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS FOR CLASS II PROGRAMS (THOSE WITH MANAGEMENT SUPERVISION) BY TYPE OF LIVESTOCK BY STATE FOR 1958 AND 1959.

	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
A. Arrangements for production supplies							
Hogs	17,233	10,927	3,248	3,530	6,363	575	41,876
Turkey breeders	314	25	105	79	—	—	523
Poultry breeders	4,962	4,253	3,544	2,764	1,984	340	17,847
Poultry meat	4,850	4,050	3,375	2,633	1,890	324	17,122
Total	27,359	19,255	10,272	9,006	10,237	1,239	77,368
B. No arrangements for production supplies							
Hogs	21,232	12,690	13,720	6,733	7,996	1,865	64,236
Cattle	12,233	8,147	6,759	3,578	4,203	1,693	36,613
Turkey breeders	—	150	—	—	—	—	150
Total	33,465	20,987	20,479	10,311	12,199	3,558	100,999
Reported tonnage for 1959:							
A. Arrangements for production supplies							
Hogs	22,557	12,504	3,863	4,219	7,593	681	51,417
Turkey breeders	314	25	105	79	—	—	523
Poultry breeders	5,458	4,679	3,898	3,040	2,182	374	19,631
Poultry meat	4,850	4,050	3,375	2,633	1,890	324	17,122
Total	33,179	21,258	11,241	9,971	11,665	1,379	88,693
B. No arrangements for production supplies							
Hogs	27,143	15,461	15,452	7,798	10,501	2,253	78,608
Cattle	36,907	10,669	12,141	4,195	12,024	1,976	77,912
Turkey breeders	—	150	—	—	—	—	150
Total	64,050	26,280	27,593	11,993	22,525	4,229	156,670

TABLE A-7. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS FOR CLASS III PROGRAMS (THOSE WITH MANAGEMENT CONTROL) BY TYPE OF LIVESTOCK BY STATE FOR 1958 AND 1959.

	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
A. Arrangements for production supplies							
Hogs	2,000	2,000	4,500	5,000	1,000	300	14,800
Turkey breeders	2,140	1,240	700	6,800	1,000	200	12,080
Turkey poults	37,121	14,205	21,016	25,487	8,237	2,966	109,032
Poultry breeders	30	20	780	—	20	—	850
Poultry meat	270	21	1,168	326	16	—	1,801
Total	41,561	17,486	28,164	37,613	10,273	3,466	138,563
B. No arrangements for production supplies							
Hogs	21,068	14,827	18,006	12,928	9,776	3,076	79,681
Cattle	3,000	1,200	3,600	1,800	1,400	240	11,240
Poultry breeders	3,949	2,252	5,505	365	1,710	—	13,781
Total	28,017	18,279	27,111	15,093	12,886	3,316	104,702
Reported tonnage for 1959:							
A. Arrangements for production supplies							
Hogs	12,300	2,300	11,500	5,750	4,000	400	36,250
Turkey breeders	2,464	1,484	810	7,160	1,160	240	13,318
Turkey poults	37,465	15,630	20,228	27,737	9,321	3,210	113,591
Poultry breeders	30	20	1,005	—	20	—	1,075
Poultry meat	270	21	1,168	326	16	—	1,801
Total	52,529	19,455	34,711	40,973	14,517	3,850	166,035
B. No arrangements for production supplies							
Hogs	23,398	15,868	18,930	13,814	10,462	3,326	85,798
Cattle	3,300	1,320	3,960	1,980	1,540	264	12,364
Poultry breeders	4,356	2,390	6,295	365	1,843	80	15,329
Total	31,054	19,578	29,185	16,159	13,845	3,670	113,491

TABLE A-8. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS FOR CLASS IV PROGRAMS (THOSE WITH INTEGRATED MARKETING AND/OR LIVESTOCK SUPPLY) BY TYPE OF LIVESTOCK BY STATE FOR 1958 AND 1959.

	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
A. Livestock supply integrated							
Turkey poults	11,680	70	1,500	20,000	2,000	—	35,250
Total	11,680	70	1,500	20,000	2,000	—	35,250
B. Marketing integrated							
Turkey breeders	803	14	2,083	1,361	347	14	4,622
Poultry breeders	1,711	—	—	—	—	—	1,711
Total	2,514	14	2,083	1,361	347	14	6,333
C. Both livestock supply and marketing integrated							
Turkey breeders	6,900	3,000	4,450	2,025	4,040	264	20,679
Turkey poults	47,715	140	10,725	—	25,000	—	83,580
Poultry breeders	22,643	15,775	25,975	12,073	9,320	1,612	87,398
Total	77,258	18,915	41,150	14,098	38,360	1,876	191,657
Reported tonnage for 1959:							
A. Livestock supply integrated							
Turkey poults	14,350	70	1,650	22,000	2,200	—	40,270
Total	14,350	70	1,650	22,000	2,200	—	40,270
B. Marketing integrated							
Turkey breeders	723	14	1,770	1,157	364	14	4,042
Poultry breeders	6,844	—	—	—	—	—	6,844
Total	7,567	14	1,770	1,157	364	14	10,886
C. Both livestock supply and marketing integrated							
Turkey breeders	7,928	3,885	5,283	2,608	4,467	337	24,508
Turkey poults	65,394	149	23,459	—	25,000	—	114,002
Poultry breeders	50,956	17,363	34,248	14,095	20,202	3,763	140,627
Total	124,278	21,397	62,990	16,703	49,669	4,100	279,137

TABLE A-9. REPORTED TONS OF FEED SALES UNDER FINANCING AND CONTRACT PROGRAMS FOR CLASS V PROGRAMS (THOSE WHERE INDUSTRY ASSUMES PRICE RISK ON LIVESTOCK) BY TYPE OF LIVESTOCK BY STATE 1958 AND 1959.

	Iowa	Illinois	Missouri	Minnesota	Nebraska	South Dakota	Total
Reported tonnage for 1958:							
A. Industry owns livestock outright							
Turkey breeders	1,000	—	—	—	—	—	1,000
Total	1,000	—	—	—	—	—	1,000
B. Industry a "partner" with livestock farmer							
Hogs	1,346	200	15	500	400	135	2,596
Cattle	180	—	—	—	—	—	180
Turkey poults	5,000	—	6,000	—	—	—	11,000
Poultry breeders	3,120	546	585	1,560	1,014	195	7,020
Total	9,646	746	6,600	2,060	1,414	330	20,796
C. Farmer owns livestock but industry shares price risk							
Turkey breeders	5,360	720	928	1,960	220	420	9,608
Turkey poults	9,600	8,400	10,800	5,760	4,480	768	39,808
Poultry breeders	6,300	4,725	7,875	3,308	2,940	504	25,652
Poultry meat	10,800	8,100	13,500	5,670	5,040	864	43,974
Total	32,060	21,945	33,103	16,698	12,680	2,556	119,042
Reported tonnage for 1959:							
A. Industry owns livestock outright							
Turkey breeders	1,000	—	—	—	—	—	1,000
Total	1,000	—	—	—	—	—	1,000
B. Industry a "partner" with livestock farmer							
Hogs	1,451	220	21	575	460	169	2,896
Cattle	180	—	—	—	—	—	180
Turkey poults	5,450	—	6,000	—	—	—	11,450
Poultry breeders	3,120	546	585	1,560	1,014	195	7,020
Total	10,201	766	6,606	2,135	1,474	364	21,546
C. Farmer owns livestock but industry shares price risk							
Turkey breeders	5,362	792	852	1,960	220	441	9,627
Turkey poults	10,560	9,240	11,880	6,336	4,928	845	43,789
Poultry breeders	7,236	5,349	8,703	3,767	3,234	554	28,843
Poultry meat	11,880	8,910	14,850	6,237	5,544	950	48,371
Total	35,038	24,291	36,285	18,300	13,926	2,790	130,630
Total for 1958	290,806	130,003	171,967	128,682	107,590	16,939	845,987
Total for 1959	400,092	145,043	213,728	141,745	136,629	20,975	1,058,212