Time to take stock? – a review of prospects for livestock auction markets

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Abstract

There has been intense commercial pressure on livestock auctioneers for a number of years from rising costs and reducing numbers of stock being sold through markets. There are a number of reasons for the decline in throughput but it is connected with changes in the farming industry as well as the use of alternative marketing channels. The commercial pressure combined with attractive gains from alternative uses for market sites has brought about a process of rationalisation involving a decline in the number of livestock markets. This has been so marked in the South and East of England as to leave those parts of the country almost devoid of markets. Successive major disease outbreaks, and the measures taken to control them, have provided a sharp impetus to the pressure for rationalisation. Markets were closed for much of 2001 during the foot and mouth outbreak. Throughputs were still only slowly recovering and have now taken a further knock with the 2007 outbreaks of foot and mouth and blue tongue. This is bound to hasten the ongoing process of rationalisation and makes a review of prospects both very timely and pertinent.

Introduction

Livestock auction markets have had another difficult and frustrating year in 2007 as a result of the outbreak of foot and mouth disease in August swiftly followed by the outbreak of blue tongue disease. The disruption to trade prompted concerns to be expressed by farmers about live auctions as a method of selling in the farming press (Long, 2008). This followed a rallying cry from an auctioneer for farmers to support the markets (Williams, 2007). None of this is new. The disruption to trade from animal disease problems has been a prominent feature of the past ten years. However concerns about the future of livestock markets in general and the challenge from alternative methods of selling have waxed and waned for a very long time. In order to place this in context the following quotation is from 1898 ‘Our market at Bungay seems to be going from bad to worse: there are few sellers and hardly any buyers; indeed farmers no longer send their stock there. They blame the auctioneer, whether rightly or wrongly I do not know; but I think it very possible that the slow death by atrophy of this market is due to natural decay consequent on long-continued agricultural depression’ (Rider Haggard, 1987, p.219).
Whilst we should not therefore over react to current pressures and gloomy predictions about the future for livestock auction markets there is little doubt that the sector has rarely seen such dramatic changes as in the recent past. There has been a huge reduction in the number of markets in England and Wales from 269 in 1987 to around 125 by the end of 2007. The purpose of this article is to assess these changes, identify what has brought them about and to question what the future holds for those that remain. The observations and conclusions are supported by data provided by the Livestock Auctioneers Association (LAA) and the results of interviews with 20 auctioneers (including all the members of the executive of the LAA) and visits to a similar number of markets.

**Throughput and revenue trends**

Revenue pressures on livestock market auctioneers in some ways mirror those felt by the livestock farmers that the markets serve. They are closely linked to changes in government support for agriculture and shifts in bargaining power in the food chain as a result of concentration in the food processing and retailing sectors. Livestock farmers have had the benefit of government support in the form of various farm subsidies but these have changed in nature over time. Market price support also benefited auctioneers by way of commissions and market tolls on stock. When support shifted towards headage payments allowing prices to fall auctioneers derived much less benefit. The most recent move to the decoupled payment removes any potential benefit of subsidies from the market prices of stock and commissions revenue for the markets.

If we examine the throughput numbers over the past 30 years of cattle, sheep and pigs we can see that each class of livestock has fared rather differently during the period. Throughputs in England and Wales are shown in Figure 1 expressed as a percentage of the turnover in 1976. Pig throughputs have shown a steady decline to the point where fat throughput is only 11% of the throughput in 1976 and for stores it is only 3%. Cattle throughputs went into decline after 1984, coinciding with the imposition of milk quotas. The recovery post foot and mouth has been much better for store cattle than fat cattle. This is not surprising as farmers have had to trade direct with abattoirs during the period of closure and it has been a battle to win them back to selling live. There is however less alternative to the live market for buying store cattle. Fat sheep throughput increased to a high point in 1991. This roughly corresponds to the change from market support to headage payments. Recovery of throughputs post foot and mouth has been better for fat sheep than for store sheep but both have remained well below the pre-foot and mouth levels of throughput.
If we examine the overall value of turnover of livestock auction markets over the past 30 years it is possible to identify three distinct ten-year periods (as shown in Figure 2. In the first period, from 1976 to 1986, turnover was expanding against an agricultural policy backdrop of open-ended market price support and expansion of sheep, dairy and beef sectors. Following the introduction of milk quotas in 1984, turnover in the second period, from 1986 to 1996, was more erratic with some growth of the value of fat trade but a fall in the number of store stock – including breeding stock. In the third period, comprising the last ten years, there has been a very dramatic reduction in trade. This has largely been caused by disease problems and associated culls and animal movement restrictions – BSE from the mid-90s, foot and mouth in 2001 and 2007 and bovine TB building up during the late 90s and increasing dramatically after 2002 (DEFRA, 2005). But there has also been an agricultural policy background which would probably have created some decline in any case.

The foot and mouth outbreak in 2001 caused the complete closure of markets for nearly a year and resulted in the cull of large numbers of stock. When markets reopened in 2002 there were not only less animals to be traded but farmers had been forced to seek other marketing channels. The auctioneers therefore had a hard task in trying to bring the trade back to the markets. Whilst this has not been wholly successful there has been a revival. The store trade recovered quickly to pre-foot and mouth levels and soon exceeded it. The fat trade suffered much more badly but was climbing quite steeply up to 2006. Figures were not available for 2007 at the time of writing but a number of auctioneers confirmed a strong growth in trade during the first half of the year bought to an abrupt end by the effects of foot and mouth outbreak in August 2007 and the subsequent emergence of another disease problem, blue tongue, which offers considerable concerns about prospects for 2008.
Figure 2 Turnover of livestock auction markets in England and Wales 1976 - 2006

![Graph showing turnover of livestock auction markets in England and Wales from 1976 to 2006.](image)

Data source: Livestock Auctioneers Association

Rationalisation – the pattern of closures of livestock markets

The number of market closures has been large enough to create an increase in the average value of turnover per market. This can be seen from Figure 3.

Figure 3 The value of turnover per market in England and Wales, 1987, 1997 and 2007

![Graph showing the value of turnover per market in England and Wales from 1987 to 2007.](image)

Data source: Based on data provided by the Livestock Auctioneers Association

Although there has been an increase in throughput per market from 1987 to 2007 it is only in the order of 18% over a period of 20 years. The inflation in the costs of running a market such as labour, water, maintenance, business rates, insurance etc. have gone far more than that over the same period. Therefore despite benefiting from the demise of other markets the auctioneers
needed much more in the way of closures for the process of rationalisation to allow profits to be maintained.

The distribution of closures has varied around the country as has the pattern of decline in livestock numbers. Figure 4 shows that there was a particularly substantial and rapid decline in the number of markets in the South and East of England between 1987 and 1997. Numbers have halved in these areas since 1997 but the greatest decline had already taken place. In other areas less affected by the shift from livestock farming to arable the steepest decline has been just in the last ten years.

Figure 4 The regional distribution of livestock auction markets in England and Wales in 1997 and 2007 as a percentage of the number in 1987

It is difficult to relate livestock market closures to changes in animal numbers. This is partly because this is made up of at least three species of animals, cattle, sheep and pigs. Some markets specialise but most sell both cattle and sheep. Sheep are more numerous but are worth less and make a smaller contribution to turnover per head than cattle do. Therefore in order to relate potential trade to livestock populations a composite number has been produced based on average sale values in 2006 (Dodds, 2007). This relates sheep and lambs to cattle and calves in the ratio 9.5:1. This composite (referred to as cattle units) has then been compared to number of markets in each region in 1987, 1997 and 2007. This number has then been expressed as a percentage of the cattle units per market in England and Wales in Figure 5. This shows that in 1987 the areas with under-provision of markets relative to livestock numbers were the North West, West Midlands and South West of England. The over-provision was in the East, East Midlands, North East, Yorkshire and the Humber and Wales. In the East of England the closure of livestock markets has been so extensive that despite the decline in livestock farming there is now a significant relative under-provision. The same is true in the South East. The under-provision in the South West has increased as a result of closures. The North East and Yorkshire and the Humber stand out as areas that are still relatively over-provided, although market closures have
kept pace with the fall in livestock numbers in these areas. In Wales, despite market closures, the over-provision has increased.

**Figure 5** The ratio of livestock numbers per market as a percentage of the average in England and Wales in 1987, 1997 and 2007

A **SWOT analysis**

The prospects for individual livestock auction markets will vary quite considerably according to circumstances. However it is possible to identify a list of considerations. These will include factors that have led to the closure of so many markets in the recent past as well as any new considerations. They will also include factors that have allowed the surviving markets to keep on trading whilst so many others have closed.

A list of factors has been drawn up and refined by discussion with the auctioneers and members of the LAA executive. These have been organised into a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) to provide a strategic overview and a framework for reviewing the factors that have led to the sharp decline in the number of livestock auction markets in England and Wales. This is shown in Table 11.
Table 1 A summary of the Strengths, Weaknesses, Opportunities and Threats that may be applicable to individual livestock auction markets

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Farmer loyalty and trust</td>
<td>Cost of infrastructure improvements</td>
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<tr>
<td>Transparency of price setting</td>
<td>Rising unit costs in key areas e.g. labour, water etc.</td>
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<tr>
<td>Auctioneers carry/manage the bad debt risk</td>
<td>Additional requirements of management/administration</td>
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<td>Social function/farmer networking</td>
<td>Time/business pressures on farmers</td>
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<tr>
<td>Option to withdraw stock from sale</td>
<td>Transport/access difficulties on some sites</td>
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<tr>
<td>Farmer to farmer trade</td>
<td>Falling livestock numbers (CAP reform)</td>
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<tr>
<td>Journey times/transport logistics</td>
<td>Generally static prices for livestock over 20+ years</td>
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<tr>
<td>Well regulated - traceability, welfare, bio-security</td>
<td>Low rates of comission and charges</td>
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<td>Clientbase for marketing other services</td>
<td>Exposure to bad debt risk</td>
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<td>Support of the farming press and organisations</td>
<td>Shut downs caused by disease outbreaks</td>
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<td>Movement restrictions caused by disease e.g. bTB</td>
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<td></td>
<td>Planning and environmental health restrictions</td>
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<td></td>
<td>Consolidation in the abattoir sector - fewer buyers</td>
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<td>Pressure from buyers and retailers/retail concentration</td>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tr>
<td>Rationalisation - fewer markets</td>
<td>Environmental health &amp; planning regulations</td>
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<td>Diversification - multi-purpose site use</td>
<td>Further health and safety regulation</td>
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<tr>
<td>Consolidation - use of the same site by different firms</td>
<td>Animal welfare concerns</td>
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<tr>
<td>Multi-functional role - services for the farmer</td>
<td>Traceability requirements</td>
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<tr>
<td>Specialisation</td>
<td>Retailer/buyer pressure - contracts/sourcing</td>
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<tr>
<td>Better location for ease of access/wider catchment</td>
<td>Electronic selling</td>
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<tr>
<td>An upturn in livestock prices</td>
<td>Animal movement restrictions &amp; disease outbreaks</td>
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<tr>
<td>Collection Centres and red markets</td>
<td>Livestock farming decline/depressed prices</td>
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<tr>
<td>New auctioneering degree - U of C.Lancashire</td>
<td>Movement towards integrated farming systems</td>
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<tr>
<td>Involvement of younger farmers</td>
<td>Lack of new young auctioners</td>
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<td>Alternative use value of the site</td>
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**Strengths**

The auctioneers have a close relationship with the farming community and they work hard to maintain this. There is a benefit in this for the auctioneers that goes beyond the commercial success of the market. They are generally providing a range of other services to farmers most of which are more profitable than the market itself. The market puts them in contact with their customers. They also gain a considerable amount of good intelligence on what the farmers up to both as business decision-makers and as individuals. The farmers feel that auctioneers share a common interest with them in achieving the best possible price for their stock. This is not the same relationship as they have with the fieldsmen for the abattoir who has a vested interest in buying as cheaply as possible.

The auction gives farmers some bargaining strength in being able to set a reserve price on the stock and take them home if this is not reached. Farmers experienced lower prices during the foot and mouth crisis of 2001 when the markets were closed. In reality this may have had a great deal to do with external factors such as the closure of export markets, on-costs of emergency restrictions, consumer concerns, etc. But many farmers put down the lower prices as a warning of how the trade might take advantage of them without the open competition and transparency of the live auction markets.

Farmers have always enjoyed markets as a social occasion. It can be an isolated existence on farms and farmers do like to feel that they are in touch with their neighbours, look at their stock and catch up on the gossip. This function is waning due to work pressures and the lack of labour on farms. Many farmers now just drop off their stock or simply get a haulier to take them to market and do not stay around to see them sold. However, perhaps
because of the work pressures and stress suffered by some farmers markets are seen as providing a particularly vital social function. A number of the most recently built markets include offices of the rural stress network and the rural chaplaincy. Bakewell market has a nurse on duty because the local health authority feels this is the best way to tackle health problems for farmers who they regard as ‘a hard to reach group’ for medical check ups.

The markets have a particular strength when it comes to store stock. There is a clear alternative for fat stock to be sold on a dead weight basis. However for store animals the live market provides a very good means of finding other farmers who might want to buy and vice versa. In fact the main alternative to this is on-farm auctions and contact networks and it is probably the same auctioneers that would be involved (typically for the same commission or more) as would sell them through the live market. The alternative types of selling have been on the increase in the West Country because of bovine TB movement restrictions but the live market offers the best facilities and range of options for both buyer and seller.

Arguably markets do potentially save on journey time and cost either from farm to abattoir or farm to farm. Obviously the potential efficiencies have to be looked at in aggregate. Some stock might have to go past an abattoir on their journey to the market and then travel back again. There may be some advantage in the size of transport that is used. Farmers will typically use their own transport or a small haulier’s lorry to get to market and stock will then be taken on to the abattoir by very large lorries. If the market is located next to a motorway or A road (as most of the newly-built markets generally are) then it forms a logical collection point for transhipment.

Markets have had to contend with a considerable amount of extra paperwork and regulation on bio-security. They are regularly inspected and are licenced. Facilities have been improved for washing down transport and disinfecting and the market authorities are keen to make sure they are used. The auctioneers point out that if sales took place on farms or informal collection centres or if stock were just collected up by lorries going from farm to farm the bio-security and traceability would be harder to police. Therefore whilst the work required to keep within the regulations acts is a disadvantage to auctioneers trying to make a profit from their business to their customers and the public the higher state of regulation now represents a strength.

Weaknesses

The business of running an auction market has been caught in a cost-price squeeze. The unit price of output, based on commissions and market tolls per animal sold, would have remained fairly static or fallen in the past 20 years unless the commission rates were increased (as can be seen in Figure 6). Commission charges are very hard to compare. One might imagine that there would be a fixed percentage but in reality there are many small adjustments for the size and type of stock. There is also a certain amount of commission rebating for the largest customers and minimum rates per animal. This makes precise comparisons over time or between markets almost impossible. However, according to the LAA, commission rates for fat cattle have increased from around 1.0 to 1.5% 20 years ago to typically 3.0 to 3.5% now (Messer-Bennetts, 2008). However some markets in areas of strong competition from
neighbouring markets and/or the abattoirs are in fact selling fat cattle for 2.0 or 2.5% commission (possibly even less in Wales). The highest rate encountered in the survey work was 4.0%.

There is a general feeling amongst auctioneers that rates are still too low and that they should be increased further. There is some evidence to associate higher rates with a local monopoly either because the auctioneers have taken over competing markets or because of closures. There has been a lot of consolidation and change in the abattoir sector and there are areas of the country where the competition from deadweight selling is much less intense than others. Auctioneers point out that they can charge 20 or 25% commission on chattels and even farm machinery (split between buyer and seller) and the gap between this and the rates for selling livestock is not a fair reflection of the difference in the costs involved.

Inflation in the unit costs of most of the inputs for running a livestock market have increased markedly over the past 20 years. This was explored by Jones (1997). The principle cost is labour and as can be seen from Figure 6 wage inflation has exceeded that of the general rate of inflation represented by the Retail Price Index with wage rates more than doubling over 20 years. Auctioneers have attempted to improve labour efficiency by moving towards use of casual and part-time staff and by computerisation of record keeping. However keeping costs down in the context of increasing demands on health and safety, livestock traceability, animal welfare, etc. is very difficult. Some of the smaller markets have moved to only trading at certain times of the year or trading only every other week during the quietest times. This is because the commissions on low throughput volumes are not enough to cover the variable costs.

Figure 6 Unit price inflation for livestock compared with input costs 1988 - 2007

Livestock disease problems and associated livestock movement restrictions have presented particular problems for markets. It has drastically curtailed the
activities of dealers who bought in one market to take stock to another part of
the country to resell at a profit. BSE resulted in cattle over thirty months of age
being taken out of the human food chain and because they were purchased at
a fixed price under a government scheme there was no need to sell at market.
The foot and mouth outbreaks resulted in market closures for the whole year
in 2001 and part of 2007. These closures forced farmers to use alternative
marketing channels creating a hard task for the auctioneers to woo them back
once the markets reopened. Bovine TB has prevented many farmers from
selling cattle at auction resulting again in a resort to alternatives. Auctioneers
say that the immediate effects are worse, financially, from keeping a market
open at low level of throughput than they are by outright closure. Disruption
and restricted trade is therefore what they fear the most from disease
outbreaks. The designation of some parts of the country as disease free and
others as restricted on movement, as has been the case with the Blue Tongue
outbreak in 2007, creates major problems for markets whose catchment area
straddles the boundary.

The falling stock numbers, the cost-price squeeze and the disruption caused
by disease outbreaks would be quite enough to add up to considerable
commercial pressure on livestock markets. But there are other additional
factors. Bad debt risk appears to have risen with the process of consolidation
in the abattoir sector and commercial pressures on the livestock industry.
Added to this trends at the retail end of the food chain have been
unfavourable. Supermarkets have sought to create direct supply contracts with
farmers that bypass the markets altogether. Independent high street butchers
have been in decline. Retail concentration has placed just a few large
supermarket chains in a position of dominance in the meat trade. Fewer
buyers has meant less chance for markets to achieve good competitive prices.

There are site specific pressures on some markets. Markets with old and
outdated facilities e.g. bad floors, poor pennage, sub-standard catering
facilities, inappropriate conditions for lairage, inadequate wash down etc. are
being forced by Health and Safety, animal welfare and environmental
standards officials to make new investments. Many of the older markets are in
sites that are in the middle of town or where the town has grown around them.
As a result they may now be surrounded by housing estates, shopping
centres, car parks etc. where smell and noise create problems. The other key
issue is traffic and again access by large lorries and many farmers with small
trailers creates major disruption on market days.

What is a disadvantage in terms of use for running the market can become a
major advantage in terms of the value of the site for alternative use as
explored by Jones and Steele (1995). The high site values in the South and
East of England have certainly contributed to the almost complete
disappearance of livestock auction markets from that part of the country and
may explain why some smaller markets in economically less successful parts
of the country, such as Wales, have survived.

Opportunities

The on-going process of rationalisation and market closure provides scope for
some markets to improve throughputs. Auctioneers can influence this process
by mergers and acquisitions of rival firms. The closure of markets will depend
in part on site potential for alternative use (which in turn is dependent on the grant of planning permission) and the ownership of the site. In some cases the site may be owned by the local authority and in some cases there may be an ancient charter to support the continued provision of a market. Some local authorities take the view that markets are an essential support not just for farmers but for the rural community and the commercial life of the town. Most are more than tempted by the capital gain from alternative site use.

Theoretically auctioneers might be able to cut the costs of running a market by doubling up on the use of one site possibly by selling on different days. Examples of this are rare and are mainly found in the South West of England. Taunton market has been run by two firms only one of which has decided to move to the new market at Sedgemoor near Bridgewater. Exeter market is run by a consortium of four firms. Some of the staffing is contributed by the individual firms and some by the jointly owned company. The firms take it in turns week by week to auction different classes of stock. Newton Abbott market is run by two firms each of whom provide staff and literally take turns at the rostrum on the same day to sell stock. These arrangements have grown up over time by expediency. There appears to be little enthusiasm for them as a means of rationalising site use and they would almost appear to create as many difficulties as they solve. The main issue being the rivalry between the firms in trying to maximise the benefits of farmer contact getting in the way of cooperation.

Some markets have tried to capture greater market share by specialisation. Pedigree sales and organic stock are examples where the trade is smaller and more specialised. Markets need to be well located on the road transport network to do this as the catchment area is likely to have to be much larger than normal. There is also scope to auction a range of agricultural items as well as non-agricultural stock and produce. This can have a varying input from the auctioneers. Chelford market in Cheshire is probably the largest horticultural market in the UK. It sells a wide range of garden plants and accessories using the same facilities as the livestock use on other days in the week using the firm’s own staff. Many auctioneers run periodic farm machinery sales, grass keep auctions etc. But they also often sell chattels. Most market sites are used for car boot sales but this is normally simply a question of selling space. There may be little or no benefit to the auctioneers if they do not own the site. There are other site uses that are similar to this such as car parking, driving instruction, go kart racing etc.

Modern markets have tended to provide more covered space. As a result they have more scope for multiple use. This generally includes retailing and offices for businesses related to agriculture. They are often capable of being used for social functions, conferences and receptions. Skipton market in Yorkshire has a sheep sale ring which doubles up as a 300 seat theatre. However this is just one of a number of multiple uses at Skipton which shows just how far multiple use can go. The pens can be removed from the covered area so that one part of it can be used as a 10,000 square foot equestrian arena. Another area of covered space offers a 20,000 square foot venue for rock concerts, a country and western festival, a vintage tractor event and a garden festival. Adjoining this additional buildings have been erected as a rural business centre for a Further Education College, a machinery dealer and a meat processing plant. A number of recently built markets are therefore beginning to act as a multi-purpose rural business campus rather than just a livestock market.
Market location has tended to follow the evolution of transportation. In medieval times markets were located in town centres i.e. in the market square. In the 19th century they often moved out to adjoin a new railway station. Quite a number are still sited close to a railway station. But in the 20th century they tended to move again to be closer to main roads or bypass routes to avoid traffic congestion in the town. Most recently built markets have been located even further out of town close to a junction or roundabout off a main road or motorway typically quite well out of town. This extends the scope for the market to serve a wider area and to achieve economies of scale.

Converting markets to collection centres or operating partly as a 'red market' (i.e. stock can only go to an abattoir to be killed) is an opportunity for some markets. Obviously they lose most of the benefit that markets have over other methods of selling. However for the auctioneers it can be a very economic use of the site and of staff resources.

There is a danger for livestock markets that unless they attract the younger generation of farmers they will depend increasingly on older farmers and literally will die with them. There is no doubt that the average age of those who attend markets tends to be quite high. The situation may not be as bad as it seems in that it may just represent a logical division of labour for the older generation in the farming family to go to market especially as the younger ones may be too tied up on short staffed farms to spare the time. Eventually when their offspring join the business they may be able to do the run to market. However the danger is that the younger generation having never been to the market they might never take their turn to do so and prefer to sell deadweight instead. Skipton market has a focus group of younger farmers to try and ensure that all that can be done to appeal to the younger generation is done. This is a rare example but connecting with younger farmers represents an opportunity to provide for the future.

Livestock values have been static or falling and livestock farming in the main has been struggling with poor profitability and decline. This has gone on for so long that it has almost become accepted as a given. However cereals and milk prices have jumped suddenly to much higher levels in 2007. The improvement in milk prices has bought with it a large increase in the value of dairy cattle. The beef price has also increased during the early part of 2008 although this is possibly short term. There are some positive factors for world meat prices in the longer run as demand increases against a limited supply. A balanced view must be taken of this however and there are also some negative price factors to consider as a result of trade liberalisation agreements removing tariff protection allowing in cheap imports, particularly of beef.

Threats

Most of the threats that may be on the horizon for the livestock auctioneers are extensions of existing problems which to varying degrees the auctioneers have already been able to come to terms with. Many of them are regulatory but in most respects the industry already had to make a lot of the improvements that might be demanded. The RSPCA is never likely to be completely satisfied about the operation of markets because they involve moving and handling stock in front of numbers of people. That is bound to
cause a certain amount of distress to the animals. However recent reports suggest that they are satisfied that good progress has been made over their main concerns (Parkes, 2005). The same can be said for health and safety, bio-security and environmental regulations. All are likely to get tighter but markets are no longer viewed as the potential problem areas that they once were.

There is a threat that direct sourcing could go further. In particular one of the major supermarket chains, Morrisons, operating through their main supplier Woodheads, have so far opted to be supplied through the markets rather than by direct supply. If they changed their minds this would impact on the markets. Electronic marketing was once seen as a potential threat (Grega and Ray, 1992 and Davies et al., 1999) but these initiatives were not successful and for the time being it is not seen as a threat.

Trade can be disrupted by disease at any time. Blue Tongue is a present threat for 2008. Bovine TB remains a growing problem. Livestock farming could decline further under intensified cost pressures and overseas competition with trade liberalisation. On the face of it with subsidies decoupled from production it does seem remarkable that livestock numbers have not fallen further already. Latest average performance figures show a net margin loss of £297/cow for lowland beef sucklers, £357/cow in the LFA, £94/head for intensive finishing, £239/head for extensive finishing, £34/ewe for lowland sheep and £36/ewe for the LFA (EBLEX, 2007). In the face of this there are likely to be changes unless prices improve (Moss et al., 2002 and Jones, 2005). There is likely to be a move to more extensive systems that use less labour. There is also likely to be a move to integrated systems where replacements are reared on farm and progeny are fattened rather than sold as stores. All of this will reduce trade to the markets.

**New livestock auction markets**

It is easy to see from the SWOT analysis how big a challenge the business of running a livestock auction market has been and this is only likely to continue. One might think that in this climate there would not be any fresh investment in new markets. However there have been a number of markets built in recent years. The survey work focused on investigating why these markets had the confidence to invest when so many others were closing and where they had been located and what facilities had been provided?

New markets built in England and Wales in the last 10 years include: Ashford, Cirencester, Bakewell, Stratford, Worcester, Hexham, Cockermouth, Thirsk, Skipton and Brecon. The most recent and the largest is Sedgemoor. This is on junction 24 of the M5 motorway near Bridgewater. This replaces Taunton and Highbridge markets and has chosen a location between the two places.

Whilst the circumstances of each of these new markets is far from identical there are some common factors in what made them move from the old site (‘push’ factors) and more importantly to then reinvest in a new one (‘pull’ factors).
Push factors

All of the relocated markets have moved out of town centre sites where there was some kind of issue with traffic and congestion. However this was certainly not the main factor and there are plenty of markets still operating on worse sites from this point of view. Town centre congestion was a particular issue in Bakewell and Skipton.

In all cases there were high value alternative uses for the sites. In Cirencester it was a leisure centre and offices, in Thirsk it was a mix of housing and retail but for the others it was mostly retail, typically a shopping centre, a retail park or a large supermarket. The exception is Ashford where the market made way for the cross channel railway station.

Pull factors

A key issue in all of the new markets was very good road access. They are virtually all located at a roundabout or a junction off a dual carriageway road or motorway giving the prospect of a very large catchment area within a reasonable journey time. Often the road itself is also new. This is notably the case for Cirencester and Stratford. The exception is Bakewell. The new market is on the edge of the town. It has good access off the A6 but very little of this road is dual carriageway. It does however offer a good central location within the Peak District.

Another common factor is that not only are the new markets in prime locations for road access but that this is also generally on land not designated for development. This is crucial in terms of affordability. The business case for new markets must be very hard to justify given the high cost of construction and the commercial pressures on all markets - even modern well located ones. As a result new markets could not compete against other high value uses in open competition. The new markets therefore depend crucially on special case exemption based on their function as a support facility for agriculture. The new markets have tended to try and widen this case as far as possible to provide additional commercial support. They all have some form of related retail or office based activity with an agricultural link to one degree or other. In most cases this is under the same roof as the market within a concourse. Skipton has gone the furthest down the multi-purpose route both within the main buildings and with additional buildings creating a kind of campus of agriculture and rural community-based activities. Sedgemoor shares the site with a very large, newly built, dairy processing factory and the site will develop into an agro-industrial business park.

The new markets have mostly been built by a mixture of local authorities (e.g. Bakewell and Brecon), groups of farmers (e.g. Hexham, Thirsk, Skipton) and individual farmer entrepreneurs (e.g. Cirencester, Sedgemoor and Stratford). There are examples of the firm of auctioneers providing the all of the funding (e.g. Worcester) or some of it (e.g. Sedgemoor) but mostly the backing is being provided by farmers or local authorities. The farmers acting together have an obvious vested interest in the market continuing. It may seem harder to justify for an individual farmer/entrepreneur acting largely on their own. However they would appear to be acting from a mixture of philanthropy in wanting to do something for the farming community as a whole and self-
interest in gaining a future stake in the potential uplift in land value. The local authorities are typically responding to a clear need to ease congestion or allow town centre redevelopment whilst at the same time being sufficiently sympathetic to the need for a market to build a replacement.

Another common factor amongst the new markets was closure of other markets in the area. Cirencester is an example of a new market that replaced one that was probably too small to be worth replacing on its own merits but happened to be in the centre of an area where other much larger markets had recently closed i.e. Gloucester and Chippenham, as well as some smaller ones. It is also on a virtually motorway standard new road which links the M4 and M5 motorways. Sedgemoor replaces two large markets and is likely to draw from a very large area and will probably become the major livestock market in the South West. Most of the new markets effectively have replaced three or four others. Thirsk is the something of an exception despite trying hard but failing to get Northallerton to join with them. However Malton market is likely to close in the near future giving Thirsk a chance to widen its catchment.

Which markets will survive?

The closure of markets in the past has not just been limited to the smaller ones. Banbury is a good case in point. Once one of the largest in the country it closed in May 1998 without a replacement. However in general there has been a process of consolidation of smaller markets closing and larger ones extending their catchment area to take the trade. The Valuation Office Agency (VOA) undertook an appraisal of markets to assess their rateable value in 2005. They identified three size bands based on annual commission income of ‘small marts’ earning less than £100,000 per annum, ‘large marts’ earning £300,000 to £500,000 and an intermediate size of ‘around £200,000 gross commissions’ (VOA, 2005, section 3.1). They recommend a rateable value of 10 to 12.5% of gross commissions for the largest but only 6 to 7% for the smaller size category. In other words they imply that the profit on turnover of the largest markets is likely to be up to double that on the smallest.

There was a feeling amongst a number of the auctioneers in the survey that markets with a turnover of less than £1 million would not survive. Assuming that commission income is on average say 3.5% of turnover this represents a gross commissions income from auctioning livestock of around £35,000 i.e. well below the threshold for the VOA’s ‘small marts’ size category. The average turnover per market in England is currently £10.2 million but in Wales it is only £5.8 million. Markets in the VOA’s ‘large marts’ category will have a turnover in excess of £8.5 million. The average is above this in England but in Wales it is only around the VOA’s intermediate size category. There is clearly scope for more market closures amongst the smaller markets – especially in Wales. This is further confirmed by the size relative to livestock populations in Figure 5. This identified Wales, Yorkshire and the Humber and the North East of England as areas where there was scope for a reduction in the number of markets.

The markets have had a lot to contend with as identified in the SWOT analysis. Consolidation has to continue in order to create scope for added turnover for those markets that remain in order to cope with a business climate...
that is full of challenges and a relentless tide of cost pressures. Despite all the difficulties and uncertainties new markets are still being built and re-investment is taking place in existing facilities. This is not entirely a reflection of the strength of a business case based on the future profitability of livestock auctioneering but a complex interaction of factors in which the planning system and local politics can have a powerful influence. However markets that are well located, with good facilities, can be expected to draw trade from a wider and wider catchment area benefiting indirectly from the demise of markets whose owners want to reap the benefits of alternative use or whose auctioneers no longer feel that they can trade profitably. The sector will continue to have to battle against the trend towards deadweight selling that is promoted by most of the major supermarkets and inadvertently supported by government disease control measures.

Auctioneers and market owners will have to try and maximise returns from the site however they can. Some have shown considerable entrepreneurial flare in doing so. Improving facilities can also create greater scope for multiple use. It also seems vital to bring on young auctioneers to manage the business and young farmers to use the markets. In Ireland livestock markets are now used mainly for just selling store animals and as such are mostly only operational on a seasonal basis. It is likely that livestock markets will always remain for farmer to farmer trading in the England and Wales. There needs to be strong support from the farming community, backed up by the farming press and farming organisations, to maintain their role as a significant part of the fat trade. This support exists currently mainly in order not to become beholden on price (as some say has become the case in the pig sector). But auctioneers will have to be successful in converting the younger generation to using the markets if the support is to remain.

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