

Price Discovery Comes Through Competition



Competitive bidding is the only way you get price discovery. Take jewels, the best land, or the best horses... how do they get the highest value? They sell it at auction. Price discovery comes through competition. If a small producer wants to sell his cattle, he is going to find services at an auction that are totally unavailable to him in the country. From a rancher's perspective, there isn't anything like an auction. Many producers have found that they don't get just 1 or 2, but 10 dollars more per hundred for their cattle when they are well-sorted and presented in front of the buyers.

The big packers want to see the auctions go away because of price discovery. The auction market doesn't want the cowman to just break even, we want him to get a good return. If a producer goes to the auction, the check is guaranteed and they do not bear the risks. Folks think that they are going to save a commission by selling direct. I can guarantee you, the trucking and the commission will be paid by the producer indirectly. The producers who get caught up in trying to avoid a commission are really the ones who will pay the price in the end.

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True price discovery can only be achieved
through Auction Method Selling