Development Of The National Cattle Trade

Kansas City played a central role in the development of the nation's cattle trade in the 19th Century.

By KC Olson

The 19th century was characterized by rapid change and reorganization in American agriculture. The affluent, urban populace of the eastern United States demanded that their food and textiles be plentiful, varied, and of high quality. As rail transportation and telegraph communication developed, national markets for agricultural commodities emerged.

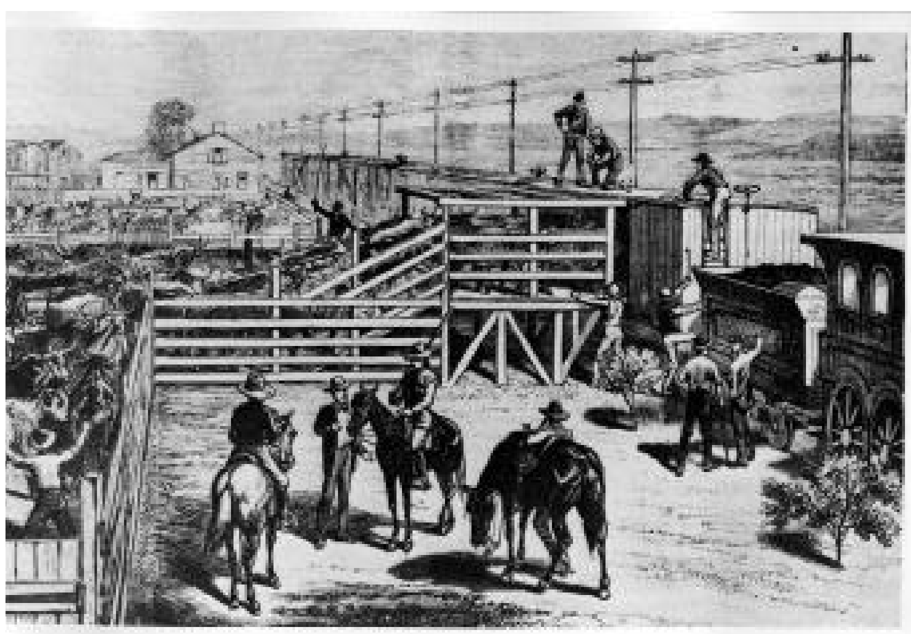
Prior to the 1840s, the traditional mercantile firm marketed and distributed the nation's goods. Early large-scale trade across state lines was chaotic and inefficient; there was little organized commerce. Out of this chaos, a new class of merchant appeared. The commodity broker – a middleman between the producer and the buyer – arranged the purchase, transport, and delivery of agricultural products across the nation and brought an organizational revolution to agriculture.

Within a generation, the modern commodity dealer replaced the mercantile firm. This new form of administrative coordination reduced the number of transactions in the flow of goods, increased the speed and regularity of flow, and consequently, lowered costs and improved the productivity of the nation (Hazlett 1987).

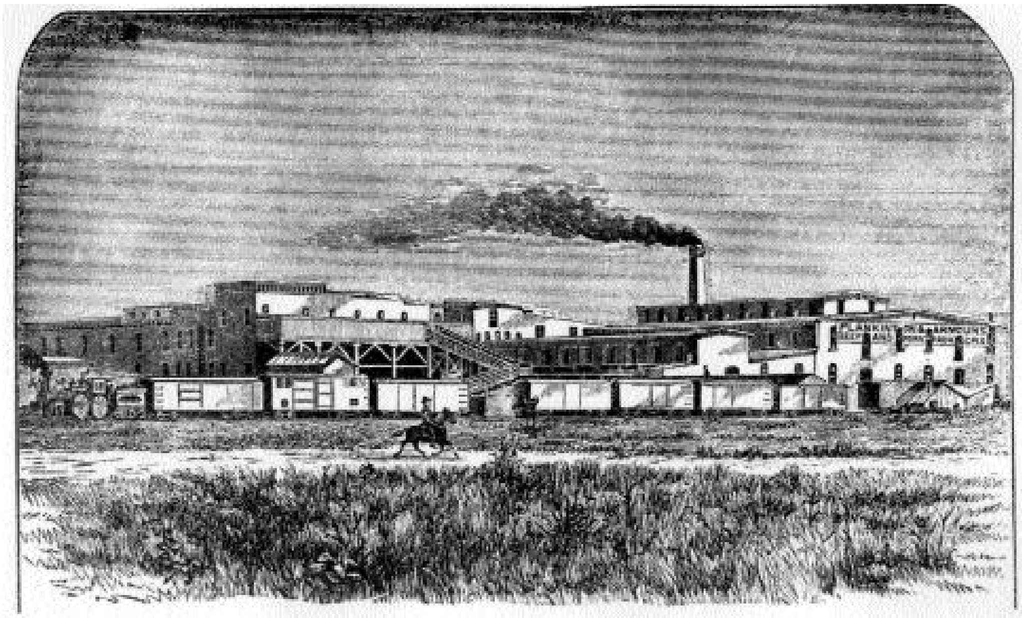
The commodity broker came to totally dominate the movement of grain. These commodity brokers organized the Chicago Board of Trade in 1848 (Johnson 1911). In so doing, the commodity brokers provided a new opportunity for the nation's agriculturalists. Farmers and ranchers were no longer relegated to subsistence living, barter, and limited local markets from which to extract a living. Even the most isolated of farmers and ranchers were able to achieve national distribution of their products via the commodity broker, the railroad, and the telegraph.

This organizational revolution was not unique to grain and textiles. It also occurred in the distribution of livestock throughout the United States but with a few notable differences. The railroads created a national market for beef, pork, and mutton when they opened the Great Plains and the Southwest to trade. The Kansas-Pacific Railway pressed into Kansas and Colorado in the 1860s and the Missouri, Kansas, and Texas Railway opened the Texas overland trade in the early 1870s (Hazlett 1995).

As the railroad enabled the transport of animal products from the production centers of the west to the population centers of the east, another type of broker appeared – the livestock commission merchant. Unlike the commodity brokers who never left the mercantile exchange offices and only saw samples of the commodity traded, the commission merchant traveled between the farms and ranches of the Southwest and the trading centers of the Midwest. They personally monitored the transport of specific animals on the railroad. The livestock commis-



Following the Civil War, drovers brought cattle overland to the railhead towns of Kansas for rail shipment to the market centers in Kansas City and Chicago. Cattle shown here are being shipped from Abilene, Kansas. Provided by the Kansas State Historical Society - Topeka, Kansas. Reprinted with permission.



The Phillip Armour packing plant, shown as it appeared in 1870, established Kansas City as a major meatpacking center. Provided by the Kansas State Historical Society - Topeka, Kansas. Reprinted with permission.

sion merchants established markets similar to a grain exchange. The Chicago and Kansas City Live Stock Exchanges organized in 1884 and 1886, respectively, almost forty years after the Chicago Board of Trade (Thompson 1900).

Bulk commodities graded and standardized easily and were sold through futures markets that were pioneered in the U.S. by the Chicago Board of Trade during the mid-1900s. Conversely, livestock could not be standardized easily for the purposes of trade and, thus, could not be sold through the futures markets. Animals were alive, mobile, disease prone, and easily injured. Each animal was unique in weight and quality of meat. These problems made it necessary to continue to trade livestock on a spot cash market (Hazlett 1995). Live animals still required human oversight at every step in the marketing process; there still had to be personal contact between buyers, sellers, and merchandise.

Not until the late 20th century did modern cattle feeding practices, selective breeding, and veterinary science bring some standardization to the trade. In 1974, more than one hundred years after the grain trade established futures markets, the Chicago Mercantile Exchange first traded in live cattle futures (Ball 1992). The 19th century commission merchant, to cope with the vagaries of live animal trading, introduced many marketing innovations that are still in use today. Kansas City, site of the Society for Range Management 2002 Annual Convention, was the focal point for reorganization and nationalization of the cattle trade in the United States during the late 19th century.

The History Of Livestock Trade

After the civil war, drovers moved market-ready cattle out of the Southwest in large numbers to railheads in the eastern Great Plains. In 1885, one Texas drover could move efficiently a maximum of 3,000 animals at a time. The job required 11 cowboys, a trail boss, food, horses, equipment, and an entire summer's work (Hazlett 1995). Anytime the distance to market was too great for a rancher to sell his own livestock, a drover served that function. During the 1860s and 1870s, drovers purchased livestock in their home state and then sold them, after a long trail drive, in northern states. Sale of the cattle was typically arranged at one of the railhead towns of the Central Plains.

Exorbitant price markups brought the activities of drovers into question. A drover could buy a 2-year-old steer in Texas for $8.70 and market it in Kansas for as much as $23.32 for a price markup of 268%. The markup was even higher for a 4-year-old steer (369%; Galenson 1977). The producer received roughly a third of the final sale price under this system, while the middleman received about two-thirds. Dissatisfied with this state of affairs, cattlemen wanted to retain a greater share of the value of their animals and were easily persuaded to seek more equitable methods of marketing.

As railroads built further into the Southwest, alternative methods of livestock marketing became a possibility. A person could finally transport cattle over land faster than the animal could walk. It was no longer necessary to sell livestock locally to a drover in order to tap the competitive livestock markets of the Midwest. The railroads provided most ranchers themselves with the needed market access. By the early 1870s, railroads were collecting thousands of cattle off the grasslands of the Southwest and bringing them into Kansas City for national distribution (Hazlett 1995).

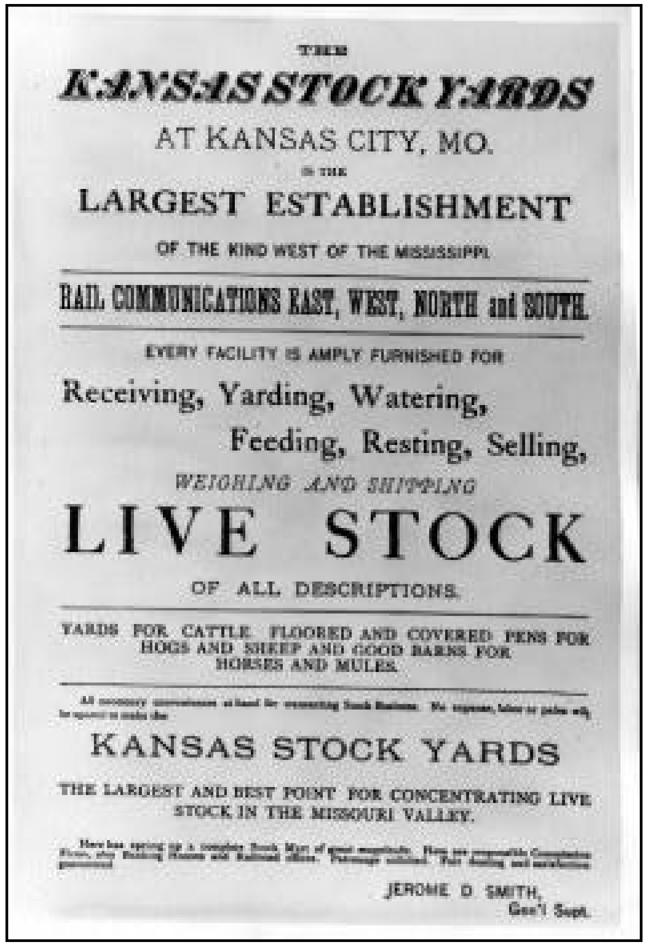
A trip from Las Animas, Colorado to Kansas City via the Santa Fe Railroad took two days in 1873; the trip to Chicago took 5 days. Ten years later, the journey to Kansas City could be made in 28 hours (Hazlett 1995). Moving animals great distances by train introduced livestock owners to the concept of shrink. Confinement for long hours without feed or water caused livestock to experience significant weight loss while aboard the trains. Producers closer to the stockyards were at an advantage; their livestock experienced little shrinkage in weight during the trip.

Cattlemen quickly learned this lesson. Many moved their herds to the rangelands of Indian Territory south of Caldwell, Kansas prior to selling them. When the price of cattle in Kansas City rose to an adequate level, they would quickly load their herds aboard stock trains and ship them to take advantage of the price change. Grazing transient cattle on the grasslands south and west of Kansas City became common in the ranching business. The bluestem pastures of the Kansas Flint Hills around Emporia supported thousands of transient cattle each summer that had been shipped from west Texas for a few months growth and fattening. The 101 Ranch in the Texas panhandle purchased 75,000 acres in the Flint Hills for this purpose (Hazlett 1995).

Kansas City's Role

Kansas City was a logical center of operations for the new and burgeoning national market in livestock. It was a town of only 32,000 residents in 1870 when Phillip Armour built a packing plant there; however, it was nearer the source of Southwestern beef than the primary competing market in Chicago. Just 16 years later, Kansas City had seven packing plants that employed 2,234 workers (Snyder 1893).

Meatpacking, because of a lack of refrigeration, was seasonal until 1877 when the Armour packing plant installed a chill room enabling year-round work. Beginning in that year, Kansas City became the primary supplier of packed beef to the United States (Renner 1960). After that time, beef packing in Chicago dwindled into comparative insignificance because of the large number of cattle processed at Kansas City (Taylor 1917).



The handbill pictured here is an early advertisement for the services available at the Kansas City Stockyards. Provided by the Kansas State Historical Society - Topeka, Kansas. Reprinted with permission.

It would be incorrect to suggest that the Chicago market did not play a significant role in the advance of the national livestock trade. It certainly did; however, the Kansas City and Chicago markets dominated fairly distinct, non-overlapping regions of the country because of the pattern of railroad development. A railroad inspector stationed at Kansas City along the Santa Fe railway recorded 8,988 railcars of cattle shipped in 1890. Bills of lading for these cars indicated that 85% stopped in Kansas City, while only 15% went to Chicago. These figures can be interpreted to suggest that the Kansas City market dominated the trade out of Southwest Kansas, Colorado, Indian Territory, the panhandle of Texas, and New Mexico.

In contrast, the Missouri, Kansas, & Topeka railroad shipped the majority of Texas cattle by virtue of its more easterly routing. A railroad inspector in Southeastern Kansas reported that of 8,500 cars shipped from the north Texas area in 1890, 69% went to Chicago, 17% to St. Louis, and only 14% went to Kansas City (Hazlett 1995). The Chicago market clearly dominated the Texas Cattle trade, largely because of the pattern of rail development. Railroads that were headquartered in Kansas City were late building into Texas. The pattern of regional dominance established during the early days of the national cattle trade persisted into the 20th century as a result.

Initially, Kansas City lacked an organized livestock market. Packer representatives had to travel into the countryside to buy livestock. A number of Kansas City businessmen, recognizing this inefficiency, chartered the Kansas City Stockyards Company in 1871 (Renner 1960). The Kansas City Stockyards Company provided a location where buyers and sellers could congregate to transact business. It was complete with rail lines, animal handling facilities, and livestock scales. In 1893, the stockyards covered about 100-acres along the Kansas-Missouri border. The entire area was floored with 3-inch cypress plank. Its daily capacity was 20,000 cattle, 35,000 hogs, and 15,000 sheep; 300 men were needed to handle, feed, and care for all of the stock (Snyder 1893).

Kansas City was reborn over a period of little more than 20 years as the major livestock marketing and meat-packing center in the United States. This, combined with deeper penetration of the railroads into the grasslands of the West, enabled cattlemen to transport their animals to a competitive, national market and, for the first time, negotiate the sale of their cattle face-to-face with a number of potential buyers. Most importantly, the new system enabled cattlemen to capture a greater share of the value of their animals. As long as the Kansas City stockyards remained relatively small, a rancher could find a buyer without assistance; however, the volume of animals soon increased to the point that the stockyards became large, impersonal, and confusing (Hazlett 1995).

The Kansas City market offered a wider selection of more reasonably priced animals than competing markets in Buffalo or Philadelphia. This circumstance prompted large numbers of eastern commodity merchants to travel to Kansas City relatively soon after the organization of the Kansas City Stockyards Company. The large concentration of buyers and sellers at the stockyards caused livestock prices to fluctuate wildly, up to 30% in a single day. A producer who attempted to market his own livestock frequently sold for less than market price. No one but an expert could determine when to make a sale for optimum return within the Kansas City market.

An additional complication was the fact that cattle alone had 14 classifications for the purposes of marketing: fancy cattle, choice cattle, good shipping steers, medium shipping steers, common to fair steers, common to choice bulls, good to choice cows, poor to medium cows, stockers and feeders, northern range steers, Texas steers, Texas cows, veal calves, and milk cows. The plethora of classifications meant that the seller had to find multiple buyers for each load of stock brought to Kansas City. Finding all these buyers was difficult. Only someone intimately familiar with the market knew all of the buyers and what types of cattle they sought. These factors meant that a cattleman could no longer market his own livestock without encountering significant price risk (Hazlett 1987).

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