Chaos and Conspiracy
The Kansas City Livestock Trade 1886–1892
by O. James Hazlett

The livestock commission trade in Kansas City experienced a period of chaotic transition in the late 1880s and early 1890s. Two factions of livestock commission merchants fought each other for the animal trade funneled into Kansas City from the Southwest. A regulator faction, representing the smaller and younger merchants, sought to regulate the commission business through a livestock exchange. The other, a free trade faction representing the older and larger firms, wanted no control of their businesses. Although many issues were involved, the battle lines were drawn over the rebate policy of the free traders; shippers received kickbacks or rebates from the larger firms. This policy made it difficult for smaller firms to break into the lucrative cattle trade, and it gave the Kansas City market a bad reputation.

The regulators eventually prevailed, organized the Kansas City Live Stock Exchange in the stockyards in 1886, and coerced the free traders to either comply with the Exchange no-rebate policy or leave the Kansas City Stockyards. The fight lasted until 1891 with the expulsion of one free trader firm—the American Live Stock Commission Company—but larger issues were at stake. The conflict determined the course of regulation for the life of the Kansas City Exchange (which closed in 1988), and it reversed the trend underway in the 1880s of a few commission firms monopolizing the animal trade. The Kansas City Live Stock Exchange became a regulatory agency that promot-

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THE

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HORSES AND MULES.

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Firms, also Banking Houses and Railroad offices. Patronage solicited. Fair dealing and satisfaction

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JEROME D. SMITH,
Gen'l Supt.
ed democratization of the trade; it permitted fair competition among
the merchants and it protected the shippers. From a larger perspec-
tive, the Exchange demonstrated how effective private regulation
could be in a free economy.

Early History

The livestock commission merchants head-
quartered in the Kansas City Stockyards in the early 1870s.
Soon railroads changed the manner in which cattle were marketed,
and the livestock commission merchant replaced the drover as the
dominant middleman in the trade.

As the Kansas Pacific Railway pressed into the grasslands of
Kansas and Colorado, and as the Missouri, Kansas and Texas
Railroad opened the Texas cattle trade, a national market for cattle
emerged. In a relatively short time cattle could be moved off the grass
ranges of the Southwest, loaded on a railroad, and shipped hun-
dreds of miles east to packers or corn belt feeders. Buyers from the
East met the Texas cattle herds at Kansas cowtowns such as Abi-
lene, Ellsworth and Dodge City, but the drovers had little idea
what the current price for their livestock was in Kansas City. The
buyers, however, did; they were in constant contact with the Kansas
City Stockyards by telegraph, and many had just arrived from
Kansas City by train. Consequently many drovers sold out
too cheaply. After a few bad deals, the drovers avoided the buyers in
the cowtowns and shipped their stock on to Kansas City. There
they hired a commission merchant, a middleman who knew the
prices which fluctuated as much as 30 percent in one day. By the
1880s, few cattle sold in Kansas City without the aid of a commis-
sion merchant.

Commission merchants did not stay in the stockyards in Kansas
City, however. They rode the rails into the Southwest and solicited
animals directly from the drovers as well as from farmers and ranch-
ers. They advertised in local newspapers such as the Fort Worth
(Texas) Democrat, the Dodge City (Kansas) Times, and the Las Animas
(Colorado) County Leader. They attended cattlemen’s association
meetings whenever possible and

1. For additional information on the
Kansas City Live Stock Exchange, see O. James
Haylett, "Regulation in the Livestock Trade:
The Origins and Operations of the Kansas City
Live Stock Exchange, 1886–1921" (Ph.D. diss.,
Oklahoma State University, 1987). Historians
W. David Baird, Charles W. Cheape, H. James
Henderson, George F. Jewsebury, Richard C.
Rohrs, Donald E. Green, and James L. Huston
significantly influenced this study but may dis-
agree with its interpretation.

2. Rudolph A. Clemens, American Livestock
and Meat Industry (New York: Ronald Press Co.,
1932), 88; Joseph G. Hencx, Historical Sketches of
the Cattle Trade of the West and Southwest
(Washington D. C.: Rare Book Shop, 1874;

3. Fort Worth Democrat, May 3, 1873; Dodge
City Times, April 19, 1879; Las Animas County
Leader, August 9, 1873.
Beginning in the 1870s, Texas cattle were driven to Kansas cowtowns where they were loaded onto railcars and shipped to markets in Kansas City and points east. Shown here (left) are cattle being shipped from Abilene.

Hired men in the cattle producing areas as solicitors or “drummers.”

Historians have little understood the livestock commission merchant. Two interpretations have persisted for some time. Scholars who sympathize with the farmers simply reflect the attitude of farmers and ranchers in the 1880s; they considered livestock middlemen robber barons. In particular, historian Lawrence Goodwyn lumped the commission merchants in with what he considered the worst of the nineteenth-century exploiters: furnishing merchants, wholesale houses, cotton buyers, grain elevator companies, railroads, and land companies. Goodwyn blamed the oppressive economic system created by these exploiters for the agrarian revolt known as Populism. Western historians, in contrast, were uncritical of the commission merchants. Edward E. Dale, historian of the range cattle industry, surmised that the commission merchants were “retired cowmen-bankers.” Finding that Andy Snider had handled 40 percent of the cattle sold at Kansas City in 1885, Gene Gressley asserted in Bankers and Cattlemen that Snider was a typical livestock commission merchant.

Scholars also have made the livestock commission merchants more sinister or romantic than they were in reality, in part because the focus has been on only a few of the larger and most successful commission merchants—the free traders. Indeed, the regulators agreed with the critical farmers’ alliances and cattlemen’s associations, that the commission trade had serious problems. The regulators believed, for example, that Andy Snider’s success in Kansas City was due to his rebate policy. Shippers sent thousands of cattle to Snider and few others because the shippers received large kickbacks. Snider barred other merchants from the business because they could not operate on such a small profit margin. The regulators considered Snider an unscrupulous merchant, and they vowed to correct his unethical business practices through the rules of the Live Stock Exchange. Aware that change was imminent, Snider sold his commission business in 1886 before the Exchange organizers could affect him. In 1889, he reappeared as organizer of the hated American Live Stock Commission Company.

4. Minutes of the Board of Directors, June 6, 1892, v. 3, Kansas City Live Stock Exchange, Records, 1886–1906, Joint Collection, University of Missouri, Kansas City, and Western Historical Manuscripts Collection, State Historical Society of Missouri. [Hereafter Exchange Records.]


The Free Traders and the Regulators

An average of three hundred commission merchants operated out of Kansas City in any given year between 1886 and 1921. A search for biographical information uncovered eight merchants who remotely fit the retired cowman-banker profile suggested by Edward E. Dale. These merchants, the free traders, were typical of the first commission firms in Kansas City and were the true innovators of the business. They were not typical of the commission merchants in general, however. Andrew Drumm and Andy Snider were the outstanding examples of this group. Drumm was a cowman-banker although not retired. He was also a free trader but eventually would join the Kansas City Exchange under coercion. Drumm started as a drover in California driving herds of cattle to the gold fields and selling them for huge profits. Later he moved to Indian Territory and made a second fortune buying and selling Texas cattle. Drumm slept under the stars more often than under a roof until he was past fifty. Later he ranched in Indian Territory and bought a bank just over the Kansas border in Kiowa. In 1889, Drumm moved to Kansas City and, until his death in 1919, engaged in the livestock commission business and in financing cattlemen. At the time of his death he was worth $1.8 million and set up a trust which founded

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the Andrew Drumm Institute for Boys near Kansas City.9

Drumm's fabulous success led historians astray. There persists in the historical record the notion that commission merchants financed the cattle trade. Drumm certainly had the financial capital to finance cattle deals but few other merchants, including the free traders, did. Most merchants acted as chattel mortgage brokers for banks with short-term capital to lend, but this activity only became significant after 1897. After the turn of the century, the cattle loan companies took over financing cattle, and the commission merchants concentrated on selling cattle not lending money. When the commission men were involved, they did not lend their own money. They set up the mortgage on cattle, guaranteed it, and then sold the "cattle paper" to a bank. It was the bank, therefore, that supplied money for the cattlemen and not the commission merchant.10

Andy Snider illustrates the important connection between a successful commission merchant and a cattlemen's association. Snider was an innovator in the trade but not a banker. He carried the mail across the Plains long before the railroad arrived and later he became a cattle drover. In 1874, Snider and Drumm leased a ranch in Indian Territory; Drumm later became the secretary of the Cherokee Strip Livestock Association, while Snider was the treasurer and marketed the association's cattle.

9. The Exchange deliberately kept the number close to three hundred merchants. This figure came from counting the merchants from 1886 to 1921, Minutes of the Board of Directors, 1886–1921, v. 3, 4, Exchange Records, George C. Berkenmeier, Major Andrew Drumm, 1828–1919 (Topeka: H. M. Ives and Sons, 1976).


Part, at least, of Snider's success was due to this important connection.11

Information on other earlier commission merchants further defines the free trade group. Peyton Quinan and E. E. Montgomery were Texas ranchers long before entering the commission business; they were drovers and financiers of the trade as well as commission merchants. Later they became partners in Quinan, Montgomery and Company. The chattel mortgage records in Dodge City indicate that this firm financed deals in the late 1870s, but their financing was limited and they quickly sold the notes.12

J. R. Stoller moved to Denver in 1873 and engaged in "stock raising on the plains." In 1875, he cre-

12. Kansas City Stockyards, Blue Book (Kansas City, Mo.: Bishop Brothers Printing, 1897), 81; Chattel Mortgage Register, August 23, 1877, July 12, 1878, May 23, 1879, Book A, Ford County Register of Deeds, Dodge City.
ated a commission firm in Kansas City to market the cattle of Colorado producers. J. N. and S.D. Irwin became familiar with the trade in the West as freighters from Leavenworth to Salt Lake City in the 1860s. In Leavenworth, the Irwin brothers made important contacts with private banker J. W. Powers who later financed them in the livestock commission business.

L. A. Allen was an early commission merchant but, unlike the other older merchants, he was a regulator and not a free trader. He was one of the initial organizers of the Exchange and was active until 1914. At fourteen years of age, Allen had traveled west from Kansas City as a cowhand to Bent County, Colorado.

While in southeastern Colorado, he entered a partnership on shares with a local rancher and accumulated “a little capital.” He played an active role in the formation of the Bent County Stock Grower’s Association (the first cattlemen’s association in the West) in 1867. Allen proved popular with the local ranchers who trusted him to market the Bent County cattle in Kansas City from 1868 to 1873. He also spoke fluent Spanish and marketed the cattle of Hispanic producers in southern Colorado. In 1874, Allen moved to Kansas City and, with the Irwin brothers, formed Irwin, Allen and Company. Allen did not experience the fabulous success of Drumm or Snider; he went broke and in 1925 died a poor man.

The younger merchants, or regulators, were unlike their earlier counterparts, and their composite biography reveals a quite different profile. The typical merchant in 1886 (the year the Exchange organized) was thirty-nine years old and, being from east of Kansas City, few claimed the contacts in the West of the earlier merchants. Few accumulated wealth, bought a bank, or lived the romantic life. Sixty-five percent of the merchants in 1886 had been in the business six years or less. Many would be gone after the economic depression of 1893. While a few made it big in the commission trade, the majority did not.

A composite biography also revealed another trend among the younger merchants. Unlike the free traders, they had backgrounds as livestock shippers or yard traders before becoming

14. Cuthbert Powell, Twenty Years of Kansas City’s Livestock Trade and Traders (Kansas City, Mo.: Pearl Printing Co., 1893; reprint 1975) 239; 224-27; Ellsworth Reporter, June 17, 1875; McCoy, Historical Sketches of the Cattle Trade, 333.

15. C. Hurd, Boggsville: Cradle of the Colorado Cattle Industry (Boggsville, Colo.: Bent County Democrat, 1957), 11; Kansas City Live Stock Indicator, August 6, 1884; Minutes of the Board of Directors, v. 4, August 6, 1900, and May 6, 1914, Exchange Records.

commission merchants. A commission merchant spent a great deal of time in the stockyards and had to be close to the animal trading to see the trend in prices. The majority of the merchants accomplished this by functioning as middlemen, either as shippers or yard traders. 17

By 1890, it was the shipper, not the livestock producer, who sent the livestock to the Kansas City Stockyards. Some estimate they accounted for 90 percent of the cattle shipped to Kansas City in the late nineteenth century. They operated in various ways, all of which brought them into contact with the stockyards and gave them a knowledge of prices. Some bought cattle from small farmers, collected herds at shipping points along the railroads, and shipped them to Kansas City when the price was right. Other shippers collected herds on the grasslands south of Caldwell in Indian Territory. That area was a favorite holding area for Kansas City shippers; the cattle could easily be loaded on cattle trains and arrive in Kansas City in a matter of hours. The grasslands in the Flint Hills served the same purpose. Shippers in the Texas Panhandle bought cattle and shipped them to the Flint Hills around Emporia. When the price was right, cattle were shipped to market in Kansas City. Other shippers bought fat cattle in Kansas City and shipped entire train loads to Chicago. The latter had a better market for heavy cattle. 18

Yard traders were similar to shippers but remained in the stockyards at all times. It was the volatility of prices in the stockyards that attracted the yard trader. When the stockyards were full and the supply was plentiful, the trader knew that buyers were able to force prices down. At that point, the trader became active in the stockyards and bought cheap cattle. They seldom held stock in their possession for more than a few days. They knew that in a short time—sometimes in hours but certainly in a few days—the supply of animals in the stockyards would decline. When that occurred, traders became active again, approached frantic buyers, and sold out for a healthy profit. On the contrary, when a glut of cattle lasted several weeks, the trader often lost money. Speculation was risky and many traders left the business without a penny. Many became commission merchants; they knew the prices. 19

The yard trader also sorted livestock into marketable groups for the smaller producer. They had their own special pens in the stockyards called traders' pens. When a farmer from Kansas or Missouri traveled to Kansas City to purchase stock, he looked for smaller lots, not the large, unsorted consignments of the commission firms. Generally the farmer needed around one hundred animals, and he preferred them all uniform in size and weight. For example, the farmer frequently bought steers weighing approximately five hundred pounds for grain feeding. Before the mid-1870s, the farmer went from pen to pen throughout the stockyards selecting a few animals from each. Observing this inefficient practice and recognizing a need, the traders began sorting the livestock in advance. When farmers arrived they went straight to the traders' pens to find the livestock they desired. The trader, like the shipper, became an expert on the movement of prices in the stockyards and made good commission merchants. But all was not well in the stockyards. 20

Conflict in the Stockyards

Chronic problems existed in the commission business throughout the 1880s; problems that would pitch the regulators and free traders in Kansas City against one another and lead to the formation of the Kansas City Live Stock Exchange. The first problem was the spread of disease by the railroads. While the railroads established a national market for livestock, they also spread Texas fever, pleuro-pneumonia, hog cholera, and tuberculosis. The railroads threatened the very market they created. As a conse-

20. Powell, Twenty Years of Kansas City's Live Stock Trade and Traders, 121.
Shippers collected cattle throughout the Southwest to be shipped to the Kansas City Stockyards. Like many herds, the Texas cattle shown here were bound for the Flint Hills of Kansas where they were fattened before being sent on to Kansas City.

The United States Congress created the Bureau of Animal Industry in 1884 which hired veterinarians to investigate the causes of these diseases and find methods of prevention. But in the 1880s, farmers lacked confidence in veterinarians and most considered them quacks.21

Veterinarians came into conflict with commission merchants over the infectious nature of pleuro-pneumonia. The government veterinarians believed the railroads carried the diseased cattle into the stockyards where they infected thousands of others. When these newly infected cattle were reloaded onto the railroad, the disease spread widely throughout the United States. The veterinarians wanted to shut down the stockyards when pleuro-pneumonia was discovered. Some prominent veterinarians disputed the claims of the government veterinarians that pleuro-pneumonia was infectious, asserting that the disease could not be contracted in the stockyards. The commission merchants, closely following the arguments of the supposed experts, acted in their own interest, and opposed the closing of the stockyards by quack veterinarians. This dispute over disease control highlighted the need of the commission merchants to speak with one voice on subjects that affected their business.22

A second problem also compelled the organization of a livestock exchange in Kansas City: the “dockage swindle.” Hogs sold by the pound and were subject to shrinkage or dockage by buyers who docked forty pounds off the actual weight of a “piggly (pregnant) sow” and eighty pounds off each “stag” (castrated boar). Employed by the packer, a docker docked the animal after the sale; the packers quickly learned that the dockage system was a convenient way to reduce the price paid for hogs. The farmer could not appeal the decision of the packer-paid-docker. Throughout the 1880s, hog farmers sought regulation of the dockage swindle with little success.23

Shippers also learned that some merchants were crooked. On occasion the commission merchant did not return all of the


money received from the sale of the shippers’ hogs. More often than not, the shipper did not accompany animals to market and consequently relied heavily upon the integrity of the commission merchant. Before the advent of the livestock exchanges no disinterested third party investigated fraud allegations. The courts were too slow and evidence of fraud was difficult to obtain. Cattle shippers discovered that fraud in their business surrounded the rebate of commissions. While unscrupulous commission merchants offered shippers commission rates below the cost of operations, merchants made up their losses by defrauding shippers in the amounts returned for sales.24

As with the problems of disease control and the dockage swindle, shippers eventually discovered the deeds of the unscrupulous commission merchant. In the 1880s, they pressed for reform. Farmers’ alliances in Texas and Kansas organized and sought to bypass the shipper in the rural areas and the commission merchant in the stockyards. The favored solution was the cooperative commission firm. This solution would be tried in 1889 when the small farmers joined with larger cattlemen to form the American Live Stock Commission Company.25

In the Southwest, cattlemen’s associations had organized as early as the 1860s. In frontier areas they controlled the movement of cattle; initially the association was to prevent livestock theft, but later it became important in preventing the spread of pleuro-pneumonia into western herds. Hard times hit the cattle industry from 1883 to 1887 and created a new urgency for change. The cattle business suffered heavy losses through cold winters and severe droughts, the ranges were seriously overgrazed, quarantines from western states hindered the flow of livestock traffic to market, and foreign meat markets were demoralized. During these times of crisis the cattlemen’s associations joined the farmers’ alliances and reevaluated cattle marketing. Increasingly intolerant of the middleman in the trade, these associations were determined to eliminate them entirely.26


The Exchange Is Organized

The organization of the Kansas City Livestock Exchange came as a direct response to the activities of the cattlemen's associations. Joining forces, the western cattlemen's associations formed the International Range Association; their January 1886 meeting in Denver galvanized the Kansas City merchants into action. The Range Association, consisting of ranchers from New Mexico, Colorado and Texas, addressed the typical problems of disease control, shipping cattle to market, livestock thieves, and dishonest cowboys. A major topic of discussion, however, was the elimination of the livestock commission merchants in Kansas City. Kansas City merchants who attended the meeting concluded that the Range Association was more than just talk. Like the Range Association members, the merchants also recognized that the livestock commission business had numerous problems; if no internal solutions were forthcoming, they felt certain that their critics would succeed in imposing controls from the outside. This was the stimulus that organized the Kansas City Live Stock Exchange one month later in February 1886.27

The smaller commission firms were at the forefront of the Exchange organization, but they invited all commission firms to join as well. They also invited the shippers to provide insight into their proposed organization. No shippers responded, however, something they would later regret. The commission merchants created a board of directors of nine men, elected a president, and utilized appointed committees to accomplish much of the work.28

The first appointed committee—the executive committee—provided the solution for hog dockage. This question dominated the attention of the Exchange for the first few months of 1886. The committee immediately removed the packer-docker from the stockyards. In their place they hired public inspectors and placed one at each of the twelve weight scales in the yards. These inspectors acted as disinterested third parties; they worked for a salary paid by the Exchange and favored neither the shipper nor the packer. The decision of the inspector could be appealed, something new to the shippers, and the system worked surprisingly well throughout the life of the Exchange. The number of hogs

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27. Kansas City Livestock Indicator, November 12, 1885; Breeder's Gazette, December 3, 1885; Daily Driners Journal of Chicago, January 30, 1886; Kansas City Livestock Indicator, February 4, 1886.

run through this system illustrated the magnitude of this inspection system. In 1890, for example, 3,932,575 hogs were inspected; shippers asked for arbitration on only 464 of those decisions.  

The Exchange also exposed the criminal acts of the fraudulent commission merchants. They audited the books of commission merchants starting in 1887 to ensure that livestock shippers received all money due. The board of directors expelled merchants found guilty of fraud. For the first time, the commission merchants were organized in a united front. The free traders were not yet among them but the newly formed Exchange soon coerced all to join.

The manner in which Andrew Drumm was forced to join the Exchange was a pattern set in the first years of the organization's history. When Drumm arrived in Kansas City to conduct a commission business in 1889, he did not believe the rules of the Exchange applied to him. Seeing himself as an individualistic entrepreneur, Drumm avoided the Exchange when he first arrived. He believed that he could successfully carry out a commission business without cooperating with other merchants. The credentials of this free trader failed to impress the directors of the Kansas City Live Stock Exchange. They sent a committee to interview Andrew Drumm and requested that he take out a membership in the organization by April 1, 1889. When Drumm ignored the request, the secretary of the Exchange notified him that if a membership was not purchased immediately, the inspectors of the Exchange would stop docking hogs for his firm. Drumm thereupon joined the Kansas City organization.

The initial organizers moved against the larger commission firms cautiously. The conflict between the larger and smaller commission firms had heretofore blocked any organizational effort. As early as 1873, the merchants in Kansas City had recognized the need for an organization, but their efforts in this regard had failed. An attempt at organization in 1877 had met the same fate because the larger cattle commission firms refused to sign the bylaws and constitution. Of paramount importance to the reglator faction was the participation of all the commission

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30. Minutes of the Board of Directors, August 1, 1887, April 18, 1892, Exchange Records.

31. Minutes of the Board of Directors, April 1, 1889, May 6, 1889, Exchange Records.
firms—the survival of the commission trade was at stake.  

The battle lines were drawn over commission rebating. The Exchange set uniform commissions: fifty cents per head for cattle and ten cents per head for hogs or sheep. It was one thing to publish standard rates (the shippers were furious); it was something else to enforce them. Free trader firms such as James H. Campbell and Company of Chicago, and Hunter, Evans Company of St. Louis with branch offices in Kansas City ignored the wishes of the Exchange and openly rebated commissions back to shippers. The Exchange, in turn, singled out these offending commission firms.

The Kansas City Exchange moved with determination. To obtain evidence of rules violated on suspected firms, the Exchange hired detectives to board stock trains moving in and out of the Southwest. The detectives took depositions on the activities of the Kansas City livestock commission merchants, and in the following year, the board of directors acted against the free traders. It invited A. G. Evans, the Kansas City partner for the St. Louis based Hunter, Evans and Company; G. W. Campbell, the Kansas City partner for the Chicago based James H. Campbell and Company; and C. G. Means, partner for the Kansas City based C. C. Means and Company to appear before the directors in August 1888. They appeared as requested. G. W. Campbell admitted that his firm rebated five dollars per car for all consignments of stock from shippers in the range cattle sections, whether the consignments went to Kansas City, Chicago, or St. Louis. Campbell was apparently unaware of the new rules of the Exchange or failed to understand how determined the Exchange was to correct his behavior. Evans was more cautious; he stated that Hunter, Evans and Company did not cut commissions “to his knowledge.” The firm employed all solicitors by the month and paid them a stipulated salary, whether they sent in a “thousand hogs or not one.” Evans confessed he had recently paid $120 to a party sending in twenty cars of cattle. Means denied any cutting of commissions on the part of his house “since the Exchange was inaugurated.”

The board of directors acted quickly upon the confession of G. W. Campbell. It held a special meeting and notified the home office that “your house is constantly violating the rules of the Kansas City Live Stock Exchange.” The board notified the Chicago firm that it would investigate the charges formally at 3:00 P.M. on December 18, 1888. The board invited James H. Campbell and Company to make a defense on its own behalf.

To gather its evidence, Exchange detectives had contacted the shippers involved in the Campbell case. An anonymous shipper from Kiowa provided a clear deposition that explained how the commission firms avoided the rules of the Exchange. In his case, he wrote, he had initiated the contact with the firm of James H. Campbell and Company and notified it of his desire to ship. He was telegraphed that he would be contacted by Campbell agent L. B. Collins, but instead of Collins, a Tom McGee appeared at his hotel in Kiowa. McGee stated that he represented James H. Campbell and Company in Collins’ absence. McGee and the shipper boarded the train at Kiowa for Amarillo (using free passes), arriving in that Texas town about midnight.

The next morning McGee and the shipper met Collins at the Amarillo stockyards. The shipper asked Collins what “kind of a deal” could be arranged on cattle consigned to Kansas City from Kiowa. Collins offered either a rebate of five dollars per car or a commission charge of twenty-five cents per head. He emphasized with the shipper and commented that the shippers “were getting the worst of the commission business.” Collins promised the Kansas cattleman a check at Kiowa when the cattle were


35. Minutes of the Board of Directors, December 8, 1888, Exchange Records.

shipped, or cash "at his (Collins') place" in Kansas City.  

According to the Kiowa shipper, Collins had admitted that James H. Campbell and Company preferred the rebate method rather than the lower commission rate of twenty-five cents. Collins had explained that the Campbell firm would enter the commission rate into the books at Kansas City at the rate set by the Kansas City merchants (fifty cents), but the rebate would be paid to the shipper in cash. If the Exchange audited the Campbell Company's books at Kansas City, the books would show the required rate, not the actual rate. Collins had further explained that he did business in this way with all the big syndicates.

During the trial of Campbell and Company, G. W. Campbell "denied none of these charges." The Live Stock Exchange Board of directors fined the firm four hundred dollars.  

A deposition concerning Hunter, Evans and Company led to that firm also being fined four hundred dollars. In this case, the anonymous shipper testified that on October 17, 1888, while on a train between Canadian and Panhandle City, Texas, he was asked by W. R. Curtis of Hunter, Evans and Company if he had made arrangements for transporting his cattle. When the shipper replied that he had not, Curtis proposed to handle the fifteen hundred animals (seventy to seventy-five rail cars) at a commission rate of twenty-five cents per head. He cautioned the shipper, however, that the proposition was confidential. Curtis explained, Hunter, Evans and Company would enter the transaction as fifty cents a head in their books in Kansas City, but the shipper would receive a twenty-five-cent rebate upon shipment or in Kansas City. "That is the way we fix it," Curtis admitted, "so as not to conflict with an arrangement which was existing between the commission houses in Kansas City." Hunter, Evans and Company made no defense against the rebate charges, and A. G. Evans paid the four-hundred-dollar fine.  

The trial of C. C. Means and Company revealed similar transactions in 1888. According to a signed deposition, M. H. Snyder, a solicitor for C. C. Means, told a shipper the standard commission for handling cattle was fifty cents per head. But when Snyder discovered that nineteen hundred steers were ready for shipment (ninety to ninety-five rail cars), he offered a rebate of five dollars per car even though C. C. Means and

37. Ibid.  
38. Ibid.  
39. Ibid.  
Company "deprecated the cutting of rates." When this evidence was presented at the trial, merchant C. G. Means requested time to find an important witness to refute the charges. When the Exchange board of directors inquired as to the nature of the evidence he expected to obtain, Means replied, "that is my business." The board summarily refused the hear the witness and fined Means four hundred dollars."

The Kansas City Live Stock Exchange set an important precedent in the trials of these three free trader commission firms. It asserted successfully the right to regulate the commission rates and to discipline violators of the rules; it also prevented the powerful commission firms, which traditionally insisted on "going it alone," from undermining the functions of the Exchange.

In later years, attorneys in Kansas City expressed amazement at the powers and audacity of the Kansas City Live Stock Exchange. Its board of directors controlled the membership of the Exchange and thus determined who could and who could not be a commission merchant; the board conducted commercial courts outside the county or district courts; it fined members enormous sums for violations of the rules. Members could be summoned before the board of directors and investigated upon the report of a rumor that they had violated the rules. The board used anonymous witnesses to convict members, and no attorney for the accused could appear in the commercial courtroom.

The Exchange frequently thumbed its nose at the state legislature in Topeka. The Exchange building was in the stockyards but exactly on the Kansas-Missouri state line, thus making it convenient to ignore Kansas law. When needed, the merchants merely moved their sessions to the Missouri side of the Exchange building. The Missouri legislature rarely interfered with the operation of the Exchange until 1919 and actually encouraged the rebellion against Topeka. Compared with other commercial exchanges, the Kansas City organization was in a class by itself. The Chicago Live Stock Exchange had a similar organization but rarely took aggressive action and was comparatively mild. Even the Chicago Board of Trade, trading in futures contracts for grain, had similar rules but rarely fined members more than five dollars. Chicago grain traders received fines for such benign violations as provoking disorder on the trading floor, pushing, cursing, or throwing sample bags of grain."


The American Live Stock Commission Company

The Kansas City Exchange never apologized for its conduct, and Exchange attorneys pointed to a long history of private self-regulation in western commerce. A death struggle ensued in 1889, however, when the cooperative American Live Stock Commission Company organized. The American was another attempt by the free trader faction to return to the non-regulated environment that had existed prior to 1886. This new commission firm tried to disguise itself as a Farmers’ Alliance organization, but they did not fool the regulator faction now in control of the Exchange. Not only would the so-called cooperative commission firm ignore the no-rebate rules of the Exchange, they would also use the Wyandotte County district court and the Kansas legislature to try and force the Exchange out of business.

Historians have generally interpreted the American Live Stock Commission Company as a part of the late nineteenth-century “cooperative crusade.” Lawrence Goodwyn, Herbert Myrick, and Keach Johnson described it as an example of a mighty struggle in the stockyards between the grangers and the trusts. Actually the American was the brain child of large cattlemen from the Southwest, not agrarian crusaders, although Kansas Alliancemen later did lend it support.

The firm originated in secret meetings held in the Midland Hotel in Kansas City in early 1889. The Chicago Daily Drovers Journal reported that “leading cattlemen of the West” quietly arrived in Kansas City over a period of time in late January. An alert reporter of the Journal originally believed that the meeting related to the Cherokee Cattle Company but, as it turned out, that was only a guise to obscure the real purpose of the meeting. The Journal reported that “there is something far more important in the wind.” And indeed there was. The cattlemen aimed to organize a gigantic commission company for the sale of livestock. Andy Snider, who had fled three years earlier from the stockyards upon the organization of the Exchange, was one of the active promoters of the new company. He, it was rumored, would be the manager of the Kansas City office. The three-day meeting in 1889 gave birth to the American Live Stock Commission Company. Selected as its board of directors were Samuel Lazarus of Texas, A. Gregory of Illinois, and Nicholas T. Eaton and Thomas B. Bugby of Kansas City.

Organizers justified their actions in language later employed by the Populists. They believed that for some time the cattlemen had been “losing out” in the livestock business because of a “combine” of the commission men and large packing houses. This conspiracy had forced the sale of cattle at “ridiculously low” prices. These cattlemen viewed the Exchange as one of the evil interests in the stockyards. In their view, the Kansas City commission merchants coerced the packers into joining their Exchange and then forced them to buy only from members.

The American Live Stock Commission Company was envisioned as a means to break down the power of the Kansas City Live Stock Exchange. Indeed, the American threatened to boycott Kansas City if the commission firms and packing houses discriminated against it. The new organization promised not to ship a head of stock to Kansas City, but instead to ship their cattle to Chicago. Anticipating opposition from the Kansas City combine, the directors of the firm incorporated the American in Illinois.

From the start the new livestock commission company was hامpered by internal division. The initial promoters wanted a pledge from every stockholder binding them to transact all of their business through the cooperative. Many objected. E. M. Hewins, president of the Cherokee Strip Live Stock Association in 1889, left the meet-

44. Goodwyn, Democratic Promise, 145; Herbert Myrick, How to Cooperate (New York: Orange Judd Co., 1912), 220-45; Keach Johnson, “Struggle in the Stockyards: The Rise and Fall of the Cooperative Livestock Com-
46. Ibid., January 31, February 23, 1889.
47. Ibid.
ing in protest and thereafter refused to take part in the organization. Nor did the rebate practice of the American Live Stock Commission Company endear it to the older Kansas City Exchange. By the terms of its charter, the American rebated 65 percent of the net earnings back to the shippers in proportion to the number of rail cars shipped. The remaining 35 percent was distributed among the stockholders in proportion to the number of shares held.

Controversy swirled more intensely after the Kansas Farmers' Alliance joined the "cooperative" effort. Controlling 9 percent of the stock in the American, the Kansas Alliance sent to Kansas City as its agent Edwin Snyder, vice-president of the Kansas State Board of Agriculture. In time, Snyder also represented the Nebraska Alliance and the Kansas State Grange, both of which also became stockholders in the commission firm.

Despite the Alliance connection, the officers and managers of the American Live Stock Commission Company were not poor farmers, they were free traders in a new disguise. Director Samuel Lazarus was part owner in the huge Pitchfork Land and Cattle Company in the Panhandle of Texas and ranked as one of the wealthiest men in the state. The president of the American, H. W. Creswell, had prospered as a drover and ranch owner in Texas for years; in 1890, he owned a large ranch in Colorado. Nor was Eli Titus, the general manager of the American, a poor man. On the contrary, Titus was the "largest cattle speculator" at the Kansas City Stockyards. He formed a partnership with E. M. Hewins, secretary of the Cherokee Strip Live Stock Association, in the 1870s while Titus was the livestock agent for the Santa Fe railroad. The chattel mortgage records of Sumner County, Kansas, reflected the magnitude of the partnership's capital wealth: ten years before the American organized, the firm of Hewins and Titus had loaned to A. M. Colson $12,000 for eleven months on 1,300 head of Texas cattle.

W. F. Peters was the only member of the American's management team who was not a large cattle dealer. Peters was the commission merchant hired by the cooperative.

51. Kansas City Livestock Indicator, April 3, 1889; Myrick, How to Cooperate, 226.
53. Dodge City Times, April 19, 1879.
because it needed an agent who was already a member of the Kansas City Live Stock Exchange. In so doing, the American hoped to avoid applying (and being turned down) for a membership. Although the Kansas City Exchange was not aware of the arrangements made in the first months of 1889, the American feared that its mode of operation would be discovered and the cooperative would not be able to function in the stockyards. Hopefully Peters would smooth the way. He had a good reputation in the Kansas City yards; he had been a charter member of the Exchange and a director in 1887.55

Battle Lines Are Drawn

The Kansas City board began receiving reports of the American's improper business methods late in 1889. Not disposed to let the cooperative go unchallenged, the board on June 11, 1890, instructed the secretary of the Exchange to notify H. W. Creswell, the president of the American Live Stock Commission Company, that charges had been preferred against the American for violating the rules of the Exchange on rebating commissions to shippers.56 Creswell was requested to attend a hearing on the charges, but he refused to participate. Nevertheless, at the scheduled hearing the charges against the cooperative were read into the record—by none other than Chester A. Snider. Ironically, Chester was the son of Andy Snider, one of the promoters of the American.57 He cleverly turned the rhetoric of the Alliance movement against the cooperative. The American, he charged, was a combination among various wealthy cattlemen formed to regulate the supply of cattle and control prices. The design of the company was to "oppress and drive from business the smaller independent dealers." As evidence Snider pointed to advertisements of the trust that claimed no railroad would dare dispute its damage claims for fear of reprisals by the large and powerful membership. The American, he said, obviously sought to acquire control of the entire livestock transportation business. Because of the immense number of cattle it controlled and the aggregate wealth of the stockholders, the cooperative, Snider concluded, would regulate the

55. Powell, Twenty Years of Kansas City's Live Stock Trade and Traders, 269; Kansas City Livestock Indicator, November 29, 1890; Report of Election, February 13, 1887, Exchange Records.

56. Minutes of the Board of Directors, June 11, 1890, Exchange Records.

57. Powell, Twenty Years of Kansas City's Live Stock Trade and Traders, 215.
offerings of cattle on the principal markets and thus steady prices to consumers.  

Upon receipt of the charges filed against it, the American Live Stock Commission Company sought assistance from the Kansas legislature. The Kansas Alliance had significant influence in the legislature in 1890 and owned stock in the cooperative. Eli Titus, general manager of the American and large cattle speculator, traveled to Topeka and sought legislation to prevent the Kansas City Live Stock Exchange from expelling the cooperative commission company from the Kansas City market. Titus had enough influence that the legislature of 1891, which was largely controlled by the Populist party, passed the Roe Bill. The bill declared the regulation of commissions on the sale of livestock in the state of Kansas unlawful, and thus, outlawed the Kansas City Live Stock Exchange.

In response, the board of directors of the Exchange revoked the membership of the American Live Stock Commission Company. They also expelled all members of the Exchange associated with the cooperative. The board stood firmly on the Missouri side of the Exchange building and insolently declared that they would have nothing to do with the Roe Bill or with any laws enacted by the Kansas legislature.

They further adopted a new rule, Rule 16, that gave them more disciplinary power over members—the authority to blackball. This power was immediately employed against the American. Previously, the board could do nothing more than refuse to dock any of the offending firm’s hogs. Now it could prevent commission merchants, traders, packers, and railroads at the Kansas City Stockyards from doing business with an offending party. The implementation of Rule 16 against the American effectively shut it out of the Kansas City market. No packer would buy its livestock, and no trader would buy its animals for speculation.

With the Roe Bill on the statute books, the American Live Stock Commission Company sought an injunction against the Kansas City Live Stock Exchange to prevent the expulsion. Attorneys for the cooperative filed the case of William G. Peters v. Frank Cooper, et. al., in the Wyandotte County district court in Kansas City on March 2, 1891. They challenged the membership rules of the Exchange on the grounds that the Kansas City market was a public market and therefore not subject to interference or regulation by a private agency. They further claimed that since livestock shipped to Kansas City was an interstate trade from various states in the West, charges levied upon shippers by the Exchange constituted a restraint. The American believed that the Exchange rules were an injury to the shippers and the public at large. Furthermore, they were in violation of the Roe Bill recently passed by the Kansas legislature.

Attorneys for the American also cited the 1876 case of Munn v. Illinois in which the U.S. Supreme Court ruled in favor of state regulation of grain elevators in the Midwest. Grain elevators stood at the gateway to commerce and the elevator warehousemen took a toll from all who passed. As this system tended towards conspiracy and monopoly, the court affirmed the appropriateness of placing the warehousemen in the grain trade under public regulation so “that they take but a reasonable toll.” The same principle, the attorneys argued, should be applied to the stockyards. The yards stood at the gateway to commerce to the Southwest, and these commission merchants took a toll on livestock in the guise of a commission. As a consequence, public interest should be entitled to protection via the power of the state and the courts.

The attorney’s of the Kansas City Live Stock Exchange challenged all of the arguments made

60. Minutes of the Board of Directors, March 2, 1891, Exchange Records.
61. Ibid., March 14, 1891.
63. Ibid., 15-17.
by the plaintiffs. The Kansas City market was not affected with a public interest because all of the sales were private affairs between the individual buyer and seller. They argued also that the Exchange had a right to regulate its own members. Since the officials of the American Live Stock Commission Company had signed an agreement to abide by the rules and bylaws of the Exchange when they became members, failure to comply was grounds for expulsion. Rather than meet their good faith commitments, the American had actually launched a secret conspiracy to undermine the Exchange. Its representatives had made false and defamatory statements about the Kansas City market and brought discredit upon it. The Exchange, argued its lawyers, had the constitutional and civil rights to be left at "liberty to refuse business relations with the American without being required to assign any reason whatsoever." And as the Kansas City Exchange had rules that allowed it to expel any member who was guilty of extortion, the "dishonorable, deceitful, and fraudulent" acts of the American justified expulsion. 64

The livestock exchanges at Chicago and Omaha also brought suit against the American Live Stock Commission Company. Both the Kansas City and Omaha cases were dropped so that the case in Illinois could be taken to the state supreme court. The Illinois court ruled in favor of the exchanges on October 31, 1892. It acknowledged that the exchanges had the right to regulate their own memberships, a right that legalized expulsion. However, the court conceded that there was good basis for declaring the stockyards a public market by reason of their magnitude and far reaching influence on the consumer. Nevertheless, the court declared that until legislatures specifically determined that the stockyards were public markets, the exchanges had the right to regulate the livestock trade. On the question of the membership in a private organization, the court agreed that the exchanges could discipline their memberships. 65

The American Live Stock Commission Company never recovered from the death struggle with the Kansas City Live Stock Exchange. The regulators had defeated the free traders soundly, and the Exchange regulated the commission trade in Kansas City for another thirty-two years without interference. Tragically the U.S. Congress passed the Packers and Stockyards Act in 1921 and declared the stockyards a public market. This new federal legislation was the result of agitation from twentieth-century free traders such as the American Farm Bureau and the National Farmers Union. These groups had lost confidence in the free market and wanted interference from the federal level. Beginning in the 1920s, federal officials assumed the function of a regulator in the stockyards. Ironically, they mostly copied the work already institutionalized by the Exchange. The new federal officials innovated very little beyond what the Exchange had implemented over the previous decades with one exception: they allowed the cooperative commission firms back into the stockyards. 66

Conclusion

The commission merchants in Kansas City were not laissez faire individualists. The chaotic nature of the livestock trade and the problems it brought about begged for some kind of regulation. In the absence of a strong positive government in the late nineteenth century, the Exchange took upon itself the right of self regulation based upon a long tradition in western commerce. They coerced their wayward members into joining the organization and ensured that the rules of the commercial body were obeyed. When attacked by the American Live Stock Commission Company, the Exchange organizers fought back and won. These merchants were not twentieth-century progressives screaming for federal regulation of the market place. From 1886 to 1921, they demonstrated that it was possible to have regulation in a free economy without the heavy hand of the U.S. Department of Agriculture and the Packers and Stockyards Administration.

64. Ibid., 1-11.