Cattle Marketing in the

Beginning in the late 1800s, cattle off the grassland ranges of the Southwest were marketed at the Kansas City stockyards.
American Southwest

The Rise of the Kansas City Commission Merchant in the Nineteenth Century

by O. James Hazlett

The Kansas City livestock commission merchant revolutionized the distribution of live animals in the American Southwest in the nineteenth century. The speed and volume in animal traffic fostered by the railroads forced entrepreneurs in the trade to seek new business methods. This revolution began as the Kansas Pacific Railway pressed into Kansas and Colorado in the 1860s and as the Missouri, Kansas and Texas Railway opened the Texas overland trade in the early 1870s. Utilizing the railroad and telegraph, the livestock commission merchant became the dominant middleman in cattle trade by the 1890s.¹

This organizational revolution was not unique to livestock; it also occurred in the distribution of agricultural products throughout the United States. It changed forever the manner in which cotton was sold, but the revolution was es-

¹O. James Hazlett received his undergraduate degree from Kansas State University and his Ph.D. in history from Oklahoma State University. He currently resides in Norton, Kansas, and is a farm broker with Farm and Ranch Realty, Inc., in Colby.

1. Until recently historical studies on the livestock commission merchants were rare, and major works in economic history ignored them. Alfred D. Chandler, Jr., The Visible Hand: The Managerial Revolution in American Business (Cambridge, Mass.: Harvard University Press, 1977), 19–28, concentrated on the organizational changes taking place in grain and cotton, although no mention was made of livestock despite its magnitude. Chandler provided a refreshing explanation for the development of economic institutions. He argued that technology—railroads and telegraph lines—initiated the first major changes in business organizations in centuries. For more on the livestock commission merchants, see O. James Hazlett, “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), or a revised and abbreviated version in “Chaos and Conspiracy: The Kansas City Live stock Trade 1886–1892,” Kansas History: A Journal of the Central Plains 15 (Summer 1992): 126–44.
A revolution in livestock marketing began as the Kansas Pacific Railway pressed into Kansas and Colorado in the 1860s. Especially dramatic in the grain markets. The high volume of wheat funneled by rail into Chicago brought about the transformation. Before 1848 and the advent of the railroad to the Midwest, wheat was sacked and sent to market via the Mississippi River. As railroads were built they rerouted the wheat east in railcars to steam-powered grain elevators. The telegraph connected eastern grain markets with the Midwest, and buying and selling wheat futures soon followed. The commodity broker became the new middleman and totally dominated this movement of grain. In 1848 these commodity brokers organized the Chicago Board of Trade.²

The livestock business of the Southwest experienced a similar transformation with some major differences. The railroads created a national market for beef in the United States when they opened the grasslands west of Kansas City to trade. This market emerged later than grain trade so consequently livestock exchanges organized in the West for the first time in the 1880s. But the nature of live animals channeled the livestock trade along different organizational patterns than those established for grain. Animals were not graded or standardized easily in the nineteenth century, and consequently they could not be sold electronically through the futures markets. Animals were alive, mobile, disease prone, and easily injured; each animal was unique in weight and quality of meat. Not until the late 1960s did cattlemen resolve these problems through feed yards, selective breeding, and modern veterinary science. In 1974, more than one hundred years after the grain trade established futures markets, the Chicago Mercantile Exchange first traded in live cattle futures.³

So it was the Kansas City livestock commission merchant, not the commodity broker, who marketed live animals in the nineteenth century in Kansas, Colorado, New Mexico, and parts of Texas. Since some animals were so sick or injured they could not walk off the scales in the Kansas City stockyards, or they died in the railcar before reaching Kansas City, the livestock market remained a “spot cash” market.

---


Live animals were marketed on the floor of the "livestock pit" or stockyards. Unlike the commodity brokers who never left the mercantile exchanges and only saw samples of the actual commodity traded, the Kansas City livestock commission merchants traveled between Kansas City and the farms and ranches of the Southwest. They personally monitored the actual movement of specific animals on the railroad. The livestock commission merchants established an exchange similar to a grain exchange except they did not sell futures: the Kansas City Live Stock Exchange organized in 1886 almost forty years after the Chicago Board of Trade.4

For a time following the Civil War, commission merchants and drovers operated simultaneously west of Kansas City. But livestock commission merchants eventually replaced drovers as the dominant middlemen in the livestock trade. Initially Texas drovers moved cattle north in large numbers, but the railroads were the true innovators of trade with northern markets. With the coming of the railroad to the Southwest, a person could transport cattle overland faster than the animal could walk. Instead of a few thousand cattle driven to market by a single drover, railroads collected thousands of cattle off the grasslands and funneled them into Kansas City for national distribution.5

One example clearly contrasts the old and new methods of marketing cattle. In 1885 one Texas drover efficiently could herd a maximum of three thousand animals. The job required eleven cowboys, including a trail boss, a considerable amount of food, horses, and assorted paraphernalia, and an entire summer's work. While that surely was impressive when contrasted with cattle driving east of the Missouri River in earlier decades, these numbers paled to insignificance when compared with the marketing of one Kansas City commission merchant. By 1885 A. J. Snider had a commission firm of nine people operating out of the Kansas City stockyards. Instead of a mere three thousand head, the Snider firm took nineteen thousand cattle off the grassland ranges of the Southwest in October of that year, marketed the cattle, and paid the buyers. Only a few days elapsed from the time the cattle were loaded onto the railroad to the time the ranchers received payment. In comparison drovers took all summer to bring the cattleman's money back to Texas.6

Kansas City was the logical center of operations for the livestock commission merchants. It was a town of only thirty-two thousand inhabitants in 1870 when Phillip Armour built a packing plant there, but it was nearer the source of Texas beef than was Chicago. In 1870 Armour slaughtered twenty-one thousand cattle and thirty-six thousand hogs from area farmers and thereby established Kansas City as a major packing town. Because Kansas City lacked an organized livestock market, packers initially went into the country to buy livestock. To counter this deficiency, Kansas City businessmen chartered the Kansas Stockyards Company in 1871 and provided a location on the Kansas River where livestock could be shipped and sold. Livestock pens were constructed and all the railroads linked with the yards. The exchange building, which housed the commission merchants, was at the center of the stockyards. Packing was seasonal because of the lack of refrigeration, so slaughtering was completed in the fall and early winter months. Not until 1877 did Armour have a cattle room that enabled packers to work year-round. Kansas City became the principal source of packed beef in the United States because Texas longhorns

6. In this article the term drover applies only to the individual who organized the long drive, not to hired drovers or cowboys.
made better cured than fresh beef. Because Kansas did not have a large dressed beef plant until 1887, prior to that date most fat cattle went to Chicago for slaughtering. Beginning in 1887 Armour slaughtered both fat cattle and Texas longhorns.7

In the early years of rail transport, the shippers, who often were the livestock owners, did not use the services of the commission merchants. They simply loaded their stock onto railcars and brought them to Kansas City. No one met the shippers at their final destination, nor did the shippers know what to expect when they arrived. They did not know who the buyers were, and few of them knew what their animals were worth. In Historical Sketches of the Cattle Trails, Joseph McCoy recorded the confusion that met these shippers as they came into Kansas City by rail. Dozens of "scalpers" met the trains and tried to convince the shippers to consign their stock to a particular livestock commission firm. It was not long before the shippers began contacting commission firms before they shipped. Often they asked commission merchants to travel to their farms or ranches and give the shippers an idea of what their stock was worth prior to shipping.8

Unlike the drover, the commission merchant did not take title to the animals. For the first time in the history of the animal trade, livestock middlemen sold more on commission than on their own accounts. Prices fluctuated dramatically in the cattle trade, and the risk of loss was great. Therefore no one commission merchant could take title to the thousands of cattle consigned daily; they preferred the less risky commission.9

Livestock commission merchants quickly developed contacts in the country. Even as the Texas cattle drovers moved cattle north, commission merchants were in Texas. In 1872, before the Missouri, Kansas and Texas (MK&T) railroad crossed the Red River, commission merchants already were soliciting cattle there. By 1873 they advertised in Fort Worth newspapers for consignments. The merchants attended the meetings of cattlemen’s associations and hired solicitors, or drummers, well connected with cattle raisers. Hunter, Evans & Co. hired George B. Loving of “Lost Valley, Jack County” because he was the secretary of the Northwest Texas Cattle Raisers’ Association.10

The direction of the railroads determined where the Kansas City merchants operated. Albert Dean, a Bureau of Animal Industry official at Kansas City, posted inspectors along the Atchison, Topeka & Santa Fe Railway and the Missouri, Kansas and Texas Railway to monitor cattle movement out of the Southwest in 1890. An inspector stationed at Kansas City along the Santa Fe recorded 8,988 railcars of cattle shipped. Of these, waybills indicated that 85 percent of the cars (7,640) stopped in Kansas City. Fifteen percent (1,348) went to Chicago, while none traveled to St. Louis. This meant that any rancher between Kansas City and Santa Fe, New Mexico, most likely shipped his cattle to Kansas City.11

But the Chicago market, because of the MK&T route, dominated the trade from Texas. An inspector at Parsons, Kansas, in the southeastern part of the state, reported that in 1890 eighty-five hundred cars were shipped from the north Texas area, of which 69 percent (5,865) went to Chicago, 17 percent (1,445) traveled to St. Louis, and only 14 percent (1,190) ended up in Kansas City. Even then the cattlemen in north-central Texas shipped to the St. Louis and Chicago markets, refusing to change their habits to accommodate the Kansas City market. As late as 1900 of the 128,892 railroad cars received at Kansas City, only 7,838, or about 6 percent, came from the MK&T.12

These figures reveal a major problem for the Kansas City market: railroads from Kansas City were slow building into Texas. Prior to 1887 Texas cattle had only indirect access to Kansas City. Not until the Chicago, Rock Island and Pacific railroad completed a rail line to Amarillo, Texas, in the Panhandle was direct traffic possible. It was two years later before the Missouri, Kansas and Texas railroad succeeded in making the connection.13

In 1887 forty livestock commission firms were listed in Kansas City, and they averaged five employees each. A single firm consisted of salesmen, office men, and yardmen. In that year fifty-eight cattle salesmen, forty-six hog salesmen, and four sheep salesmen worked in the stockyards for these firms. The forty-seven office men managed the firms’ offices, and the thirty yardmen took charge of the livestock as they came off the trains.14

Three hundred commission merchants eventually operated out of Kansas City. That number remained constant well into the twentieth century. In Kansas City the cattle trade was always the leader. The ratio between cattle, hogs, and sheep in total pounds shipped to Kansas City from 1871 to 1915 was 75:20:5. Huge numbers were involved after the turn of the century. An average of 2.7 million hogs, 2.2 million cattle, and 1.8 million sheep were shipped annually to Kansas City between 1906 and 1915.15

10. St. Louis Globe, September 1, 1872; Fort Worth Democrat, May 3, 1873; Frontier Echo (Jacksboro, Tex.), March 9, 23, 1877.
As railroads spread throughout the Southwest, ranchers gradually began to bypass the drover and ship their cattle from local railroads directly to Kansas City.

From the beginning solicitors were a significant part of the trade. That the commission firms listed only twenty-five solicitors in Kansas City in 1887 understated their importance. Solicitors lived in the Southwest; most often they were employed at other occupations. Their job was to use their influence upon ranchers to consign stock to specific commission houses. For their efforts solicitors received half the commission. These men were a controversial part of the business, and commission firms rarely identified them. Solicitors brought discredit upon the Kansas City market. The competition between commission firms was fierce, and to obtain cattle consignments some solicitors offered bribes to cattlemen. In Kansas City they often quarreled with each other in the stockyards, and they were known to end the dispute with fist fights in the exchange building. These antics embarrassed Kansas City officials, and some ranchers refused to consign cattle to Kansas City because of this squabbling.  

Commission firms strategically located solicitors throughout the West in the 1880s. J. R. Stoller & Co. used a solicitor at Raton, New Mexico, who also was the cattle inspector for the New Mexico Sanitary Board and an employee of the New Mexico Cattle Raiser's Association. Commission firm Evans, Snider & Buel hired the livestock agent for the Missouri, Kansas and Texas railroad as a solicitor. The same was true of James H. Campbell & Co. which hired a solicitor in San Antonio, Texas, who also was employed by Jarvis, Conklin Mortgage and Trust Co. This firm financed cattle in southern Texas. All three solicitors were in advantageous positions to know which ranchers were ready to ship cattle. Their inside information gave their commission house an edge.  

The only competitors were the drovers, a major factor in the American livestock economy since the colonial era. Anytime the distance to market was too great for the farmer to sell his own livestock, a drover served that function. Drovers in the Connecticut River valleys supplied Boston with livestock in the 1750s; in the 1790s Pennsylvania Dutch drovers bought thin cattle in the Carolina piedmont and after several months of corn feeding drove them to Philadelphia; drovers herded cattle over the Appalachian Mountains from west to east in the 1840s; and drovers from the Midwest delivered cattle to St. Louis and Chicago in the 1850s. Texas drovers operated a little differently; they purchased livestock in

---

17. Exchange Records, vol. 3, June 1, 6, October 17, 1892.
their state and sold them in northern states in the 1860s and 1870s.\(^\text{18}\)

Texas drovers easily succumbed to competition. The exorbitant profits in periods of high prices brought their activities into question. The average rate of profit in 1867 on a two-year-old steer was 268 percent and on a four-year-old steer it was 369 percent. That is, a drover could buy a two-year-old steer in Texas for $8.70, market it in Kansas for as much as $23.32, and earn a $14.62 profit. The producer received only 37 percent of the sale price, while the middleman received 63 percent. Cattlemen naturally wanted to retain a greater share of the sale and looked for a better method of marketing.\(^\text{19}\)

The commission merchants provided an alternative. Their cattle consignment charge was 50 cents per head. Instead of extorting 63 percent of the sale price, commission merchants received a small fee. As the livestock industry increased in complexity throughout the 1880s, the simple charge per head became inadequate. The volume of animals shipped to Kansas City necessitated a per railcar rate assessment. The Kansas City Live Stock Exchange eventually set the charge at twelve dollars per railcar. This system required some calculations as no two cars carried the same number of animals. Indeed railcars in the 1880s differed in length: some were twenty-eight feet long, others were thirty-four feet. Shippers squeezed more range cattle (twenty to twenty-four) than corn fed animals (seventeen to nineteen) into a railcar. The Live Stock Exchange assessed ten dollars per car for calves and yearlings.\(^\text{20}\)

Merchants also marketed hogs and sheep, initially assessing a commission rate of ten cents a head. As the volume of animals increased, a merchant's commission was six dollars for selling a single-deck carload of hogs or sheep and ten dollars for a double-deck car. Historically drovers seldom operated in swine trade. Hogs traveled long distances only with great difficulty. Before railroads, pork packers went to the farmers and built plants in hog-producing areas, but the supply area was local. Consequently, farmers had few options other than the local packer.\(^\text{21}\)

The new livestock merchants helped the small farmer market his own livestock. Cattle records of Palo Pinto County, Texas, west of Fort Worth dramatically illustrate this point. Before 1873 when the railroad arrived at Denison, Texas, the farmer frequently sold his livestock to local drovers. Cattlemen began to circumvent drovers in the county in 1874 when Leo W. Vaughn drove 108 cattle to the MK&T railhead at Denison. Other small herds followed Vaughn to the railroad and to distant markets in Kansas City and Chicago: J. Z. Butler drove one hundred "mostly cows," J. W. McDonald sent fifty head, and S. J. Strawon shipped seventy steers. Because rail rates were prohibitive and Texas farmers were slow to change their method of operations, a generation would pass before this procedure became the norm.\(^\text{22}\)

Commission merchants also made sure the livestock was sold in Kansas City. As long as the Kansas City stockyards remained small, a rancher could find a buyer on his own. However, as the volume of animals increased and the markets became large, impersonal, and confusing, the cattleman could not effectively market his own livestock.\(^\text{23}\)

\(^\text{18}\) Paul C. Henlein, *Cattle Kingdom of the Ohio Valley, 1783–1869* (Lexington: University of Kentucky Press, 1959), 32–35; Jimmy Skaggs, in *The Cattle Trailering Industry*, argued that the drovers were transportation agents.


\(^\text{22}\) Bill of Sale, Chaffed Mortgage Records, April 19, July 12, August 17, 1874, Palo Pinto County Clerk's Office, Palo Pinto, Tex.

While the Kansas City livestock commission merchants utilized the railroads to their advantage, the telegraph was as revolutionary. The telegraph was the first reliable source of price information. For the first time in the history of the animal trade, the telegraph instantly supplied information on price changes in Kansas City, Chicago, St. Louis, and Omaha. Even if a buyer could not purchase a futures contract on one hundred steers each weighing one thousand pounds, the prices for which those steers were selling in all major markets were available through the telegraph. Commission merchants kept their customers in the country appraised of changing prices before they shipped.25

Farmers and ranchers learned to rely upon their commission merchant for this information. The prepaid telegram was the means by which this information was communicated to the rancher in the country. When prices increased in the Kansas City stockyards the commission merchants sent these prepaid telegrams to the shipper. The Texas Live Stock Journal reported on February 9, 1889, for example, that “last Friday and Saturday” the cattle market advanced fifteen to twenty-five cents a hundred weight. Simultaneously, several thousand telegrams quoting the advance were issued from the exchange building. Shippers holding cattle west of Kansas City loaded nearly seventeen thousand cattle onto railcars and rushed them to market. As a consequence, the first to arrive profited from the information.27

Commission firms also published circulars quoting the markets. In the early years these reports were the first reliable information on price trends available to Texas drovers. The Abilene Chronicle in November 1870 noted that “Texas stock is quoted by the W. T. Kennan & Co. circular of the 17th.” The Ellsworth Reporter received an update on the Kansas City market from Rogers, Powers & Co. In 1875

---

25. Ibid., 44.
Irwin, Allen & Co. offered “all information regarding the markets gratuitously.”

The livestock commission merchants learned they could direct more business to their firms by giving “advances” on shipments. For example, Irwin, Allen & Co., working out of Kansas City, promised “liberal advances” on cattle consigned to their house. Rogers, Powers & Co. also advertised advances. This money was not a loan of any duration; it became a “general custom” for shippers to draw upon commission firms for a part, at least, of the purchase price of the animals shipped.

The operations of a livestock commission merchant gradually became more specialized. Merchants in the early 1870s were commission merchants and shippers as well as speculators. They received livestock on commission, but they also traded “on their own account.” This “speculating” aspect of the business caused deep resentment among the livestock producers. The Kansas City Live Stock Exchange eventually defined a livestock commission merchant as “one who receives, sells, or buys livestock and charges a commission for the same.” But the definition did not stop the speculating. The exchange decided only as late as 1915 that an employee of a commission firm who speculated on the yards violated the rules.

Even though the railroad and telegraph were revolutionary to livestock marketing, major problems still existed in the animal industry that were not encountered in marketing grain or the cotton trade. Moving live animals great distances from some areas of the Southwest to the stockyards emaciated the livestock. The producers closest to the stockyards were at an advantage in as much as they were only a few hours from Kansas City by train, and the livestock experienced little “shrinkage” of weight. For this reason Indian Territory was a favorite holding area for southern cattle. Drovers grazed their herds on the rich grasses of Indian Territory south of Caldwell, Kansas, until the price of cattle in Kansas City rose to an adequate level. They then quickly loaded their herds onto stock trains and shipped them to Kansas City to take advantage of the price change.

But shippers farther southwest were not so fortunate. A trip from Las Animas, Colorado, on the Santa Fe railroad to Kansas City in 1873 lasted two days; the trip on to Chicago took five days. The law required trains to rest the livestock every twenty-eight hours, which increased the cost of transportation. Ten years later in 1883, the journey to Kansas City could be made in one twenty-eight-hour trip, for the average speed of the stock trains increased from ten to eighteen miles per hour. To reach Chicago took three days. Nevertheless, cattle prices changed too frequently for these shippers to take any advantage of periodic high prices.

The trains also injured the livestock. The use of link and pin couplings to connect the railcars, and hand brakes to stop them, jerked and shoved the animals about the car. The stock trains ran over short, light, iron rails joined together by “iron chairs” spiked into wooden railroad ties. Moreover, the railroad beds were rough and poorly ballasted, and the trains pulled up excessive grades and over wooden bridges and trestle works. Consequently the animals were further battered. The bumping and rolling of the train knocked the weaker animals down, and the other animals trampled them until they were helpless or dead. Also, the range cattle had long, sharp horns that gouged the flesh of many steers.

---

28. Abilene Chronicle, November 14, 1870; Ellsworth Reporter, May 14, 1874, June 17, 1875.
32. Las Animas (Colo.) Leader, August 9, 1873; Texas Live Stock Journal, May 29, 1889.
The frequency of injured stock was high when shippers sent a railcar containing cattle, hogs, and sheep. In addition to injury, the smallest animals were inevitably “dirty” and required extra effort to clean before selling. Consequently, the stock arrived at the stockyards in various conditions. The unloading gangs carried ropes for the purpose of dragging out dead and crippled livestock. The American Humane Society reported that one thousand dead hogs were taken off a single train on a hot day in Chicago in 1881. It also reported that “hardly a cattle train arrives that horned cattle are not found lying on the floors, their limbs crushed, sometimes their bodies flattened out by the trampling of their fellows in misfortune.”

34. Angell, Autobiographical Sketches and Personal Recollections, 3.

The stock eventually arrived at the Kansas City Stockyards, located on the banks of the Kansas River and extending over the boundary line from Kansas into Missouri. The exchange building was in Kansas until 1913 when the stockyards company completed a new structure in Missouri. (The move largely was due to the Kansas legislature’s hostility toward commission merchants.) In 1886 Kansas City had seven packing plants employing 2,234 workers. In 1893 the yards had twelve scales, the alleys and pens were floored with three-inch cypress plank, and the yards covered about one hundred acres. The daily capacity of the yards in 1893 was twenty thousand cattle, thirty-five thousand hogs, and fifteen thousand sheep, and three hundred men yarded and fed the stock and cleaned the pens.


Commission merchants, who traveled to farms and ranches throughout the Southwest, provided a valuable service to cattlemen by keeping them appraised of prices, inspecting their cattle, finding buyers, and arranging bank loans.
Upon arriving at the stockyards, the employees of the stockyards company unloaded the trains. They then delivered the livestock to the alleys and pens assigned to the designated commission firm. The employees of the commission company fed and watered the stock preparatory to sale the following day. This process took place twenty-four hours a day, seven days a week until 1892 when the Kansas City Live Stock Exchange limited the hours of marketing.  

Each morning the commission merchant stood at the entrance of the alley in which he had stock. Packers’ buyers, order buyers, feeders, and farmers rode horses through the alleys or walked along the catwalks constructed over the pens, and selected the stock they wanted. Upon observing a lot of cattle they desired, the buyer approached the commission merchant and tried to “arrange a deal.” Such contracts were private treaties and were transacted orally for there were no auctioneers. The notes taken were the only paperwork involved in this process. Many commission men kept the figures in their heads until they returned to the commission office in the exchange building.

Similar processes occurred throughout the stockyards. After the sale, yardmen herded the animals to the scales and weighed them. There the first record of the transaction occurred. The employees attached the “scale ticket” to the waybill and delivered it to the stockyards company office in the exchange building; the animals went to the buyer. The commission merchant received payment for the livestock from the purchase at the stockyards company office. The company charged the commission firm for the rail freight and yardage fees. The latter then remitted the revenue from the stock sale less commission, freight, and yardage fees to the farmer. The banks in the stockyards handled the deposits.  

The increased volume of animals and the growing speed of moving them through the market created volatility in prices. Eastern shippers, who realized the Kansas City market offered a better selection of animals at better prices than markets in Buffalo, New York, or Philadelphia, traveled to the Midwest in large numbers. With the concentration of buyers and sellers in the Kansas City yards, prices changed dramatically, sometimes 30 percent in one day. A producer who attempted to market his own livestock frequently sold for less than market value—no one but an expert could detect the shifting values within the Kansas City market.  

As previously stated, a farmer or rancher who brought livestock to market without the assistance of a commission merchant was responsible for finding numerous buyers, not just one. For example, cattle alone had fourteen classifications: 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. This myriad of classifications meant the seller had to find multiple buyers, which was a complicated process. Export buyers from Boston or packers from Kansas City or Chicago were in the market for fancy or choice cattle. Corn Belt feeders looked for shipping steers that weighed around five hundred pounds, and after purchase fattened the steers for six months to re-market them as choice or fancy cattle. Cows, in times of low prices, went to the canners. For the veal

---

calves, the rancher looked for a Pennsylvania farmer or an order buyer. Finding all these buyers was increasingly difficult, and the commission merchant's role was critical.41

The history of Texas drovers in Palo Pinto in the early 1870s illustrates why the railroad, telegraph, and livestock commission merchants eventually prevailed in marketing cattle west of Kansas City. Times were hard for farmer, schoolteacher, and drover Jonathan Baker of Palo Pinto before and after the Civil War. As with all of Baker's neighbors, his living conditions were miserable. Because his wheat and corn had no markets, Baker sought other means of improving his financial condition. As early as 1862 Baker noticed farmers hunting wild cattle in the areas west of Palo Pinto. These unbranded animals ran wild, and anyone could appropriate them as his own. However, the market for Texas beef was suppressed because the Civil War in the early 1860s had closed the connections with Northern markets.42

Only after the South surrendered did "cow catching" become popular in Palo Pinto. A strong market for beef developed in Kansas as trade resumed with northern states. This market was recognized in Palo Pinto. In 1868 Baker complained he could not keep school in session because all the schoolboys were out in the hills "catching cows."43 It was during this time that Baker joined the hunt. He was gone from home only three or four days at a time, apparently on foot. Many times he came back with only one or two animals, sometimes with none, but often he found ten to twelve at a time. By 1869 Baker had three hundred cows and steers ready for market, which he sent to Kansas with a local drover. These efforts profited him four thousand dollars in hard currency. He accumulated a herd of five hundred in 1870 and made seventy-five hundred dollars by the end of the season.44

Until 1871 all of Baker's cattle deals were for cash. In that year he went north but the cattle mar-

41. Ibid.
42. Jonathan Hamilton Baker diary, 1859–1918 (typescript manuscript, Baker History Center, University of Texas, Austin), 131–40.
43. Ibid., 165.
44. Ibid., 172–199.
ket turned sour, and he was forced to finance part of his herd; it was difficult to find buyers. After three months of riding the railroad from Baxter Springs, Kansas, to Chicago, he found a cattle feeder in Illinois who took eighty-two steers. Because the feeder knew Baker was in a weak position to bargain, the feeder forced Baker to sell the cattle on credit for nine months for a two-thousand-dollar down payment. After returning to Baxter Springs, Baker sold the remainder of the herd but again at a discount. Once more he had to finance the purchase for nine months to make the deal work. Apparently Baker received payment on these two deals, but they were risky transactions. Financially Baker was disappointed and stated in his diary that he hated droving cattle but had personal reasons for doing so. He had left a young wife and infant daughter, both in ill health, at home in Texas. He had been gone from June until December and had received no word of their condition until he returned home.45

Baker was not alone in his troubles. Other small ranchers in Palo Pinto had difficulties finding buyers. They often sold their cattle to a drover in the spring and hoped the middleman would return with cash in the fall. They did not, however, rely on a mere handshake and the drover's word. Before the cattle left Palo Pinto County ranchers recorded a mortgage on the cattle, and the drover was held responsible for the payment.46

The earliest recorded cattle mortgage in Palo Pinto was in 1867, but the greatest number occurred in 1871. Of the $226,074 in cattle sales recorded in that year, chattel mortgages secured 58 percent of them. The average size of the loan was $6,271, and the average term on the loan was twelve months. Palo Pinto ranchers Whatley & Daniels made the largest loan with the most generous terms to drover John Hay for $40,000 on "cattle running in Palo Pinto and adjacent counties." Hay signed three notes: one for $5,000, due in eight months, and two notes for $17,500 each, the first due in twenty months and the second due in thirty-two months.47

Drovers were the heaviest borrowers. Jack Daniels and John Hay drove cattle out of north-central Texas and both purchased at least part of their cattle on credit. In 1871 and 1872 the drovers brought back gold, specie, or United States currency. Both the drovers and cattlemen accumulated considerable capital through this exchange.48 Then disaster struck the Palo Pinto ranchers in 1873. Drovers Daniels and Hay purchased several herds of cattle on credit, but they never returned from Kansas to pay their debts. According to W. C. Cochran, a small rancher in Palo Pinto, the Hay and Daniels "swindle" bankrupted many ranchers.49

Daniels and Hay had been cattlemen in Palo Pinto as early as 1862, but they also engaged in trading and droving cattle. According to Cochran, the two drove numerous herds from Texas to Kansas in the early 1870s and always returned to pay their debts. Gradually they "established a good credit," which naturally aided their swindle. But in 1873 the two drovers found no market for their Texas cattle and had to dump their herds at disastrously low prices somewhere in Kansas. Rather than returning to Texas and admit failure, the two pocketed what little money they made and left the area. Daniels later surfaced in California, but Hay was not heard from again.50

---

45. Ibid., 205–23.
49. W. C. Cochran, "Story of the Early Days Indian Troubles and Cattle Business of Palo Pinto and Adjoining Counties" (manuscript, Barker History Center), 34–35.
50. Ibid.
The Kansas City livestock commission merchants provided solutions for ranchers who could not raise operating funds in areas with no financial institutions and who risked losing herds through severe price declines. As previously noted, commission merchants often provided ranchers “advances” on consigned cattle. Eventually these advances became substantial loans financed through Kansas City banks. For example, if a rancher needed to borrow more than eight hundred dollars in 1897 in Day County, Oklahoma Territory, he had to rely on a Kansas City livestock commission merchant to obtain the money for him. Day County was capital poor, and the banks had few reserves. Moreover, financial institutions in southern Kansas were reluctant to lend money to ranchers in Oklahoma Territory because of the high risk.

These ranchers sought financial assistance in Kansas City because they were in the stockyards once or twice a year to sell cattle. Banks in the stockyards handled deposits for ranchers’ sales, and ranchers found it convenient to borrow money at the same institutions. Between June 1897 and June 1898 ranchers in Day County borrowed $255,398. Of that amount the Kansas City livestock commission merchants arranged loans on an amazing $227,760, or 89 percent of the capital, while Oklahoma banks supplied only $27,638, or 11 percent. Kansas City bankers took risks on these Oklahoma ranchers because the banks had a reliable connection with the grasslands. The distance between the two was only a few hours by rail, and commission merchants often traveled the Rock Island railroad to conduct business in Oklahoma Territory. Kansas City banks relied upon the commission merchant’s knowledge of the rancher and depended upon the merchant to check the cattle under mortgage. As security, the merchants recorded in the Day County Courthouse the number of cattle, their brands, and the location of the herd. The commission firm was at financial risk in guaranteeing the cattle notes, but the bankers believed, with this additional security, only the best of ranchers would be recommended. The commission merchant was the critical link between ranchers in capital poor areas and Kansas City banks in the stockyards.

A similar pattern existed farther west in the Texas Panhandle. In Roberts County, Kansas City commission firms arranged 50 percent of the cattle money in 1900. Local banks in Texas were better capitalized than those in Oklahoma Territory and therefore were competitive with Kansas City banks.

New in the Texas Panhandle was the Emporia National Bank of Emporia, Kansas, as a lender. It loaned 16 percent of the money to cattle ranchers in this west Texas county, the highest percent of money loaned by any one bank inside or outside the county. But the presence of this bank pointed to a new trend in the cattle business as a result of the railroads: grazing transient cattle. The beautiful blue pastures of the 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 huge 101 Ranch in the Panhandle purchased seventy-five thousand acres in the Flint Hills for this purpose. Thus Panhandle cattlemen received special treatment from Emporia. Before the Rock Island railroad was constructed the 350 miles between the Flint Hills and the Panhandle of Texas would have prevented any trade between the two regions. But animal traffic flowed easily on stock trains.

The livestock commission merchant handled the livestock trade as long as the industry depended

53. Day County Real and Chattel Mortgage Register, vol. 1, June 1, 1897–June 1, 1898, 1–14, Ellis County Clerk’s Office, Arnett, Okla.
54. Chattel Mortgage Register, January 11–December 5, 1900, Roberts County Clerk’s Office, Miami, Tex.
upon the railroad. In Kansas City their most influential period lasted until 1918. After that livestock markets in Denver, Oklahoma City, and Fort Worth first circumvented the flow of livestock away from Kansas City as packers moved to those locations in the early twentieth century. Then, throughout the 1940s and 1950s, livestock sale barns emerged on the Great Plains as the motor truck replaced the railroad as the primary livestock transport. At the same time irrigation developed southwest of Kansas City on the Great Plains which stimulated large-scale corn production. Feedlots soon followed, and fat cattle feeding began in this region in the early 1950s. Consequently the packers moved near this new supply of fat cattle, and much of the livestock industry shifted out of the Corn Belt onto the Great Plains. It was not long before the Dodge City market surpassed the Kansas City market in size. Large feedlot owners hedged their risks through the futures market at the Chicago Mercantile Exchange, and the commodity broker became a new middleman in the livestock trade for the first time in the 1970s. By the mid-1980s, packers within 250 miles of Garden City, Kansas, slaughtered four out of every ten cattle in the United States. As a result, the Kansas City stockyards closed in 1988 after almost 120 years of operation.56

During the nineteenth century the Kansas City livestock commission merchants were a new economic institution created as a result of the speed and volume brought to the livestock trade by the railroad and telegraph. The industry followed a different organizational path than did grain markets because of the nature of live animals. Unlike grain, animals could not be graded and standardized easily and sold through futures markets. Consequently the Kansas City livestock commission merchant, not the commodity broker, became the dominant middleman in the animal trade in the nineteenth century. Commission merchants not only marketed livestock in a faster and more efficient manner than had the drover, but they also became a source of financial capital for ranchers in capital poor areas of the West. Thus, the rise of the Kansas City livestock commission merchant fundamentally altered livestock marketing in the American Southwest.