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## Article Title: The Stockyards, a Hotel for Stock or a Holding Company

Full Citation: Harmon Mothershead, "The Stockyards, a Hotel for Stock or a Holding Company," *Nebraska History* 64 (1983): 512-520

URL of article: <http://www.nebraskahistory.org/publish/publicat/history/full-text/NH1983Stockyards.pdf>

Date: 4/08/2014

Article Summary: Meat packing was originally a small, local industry. That changed when refrigerated railroad cars became available. Stockyards financed by the big packing houses offered a wide range of services to buyers and sellers.

### Cataloging Information:

Names: John Donovan, James Boyd, John Smiley, W A Paxton, Alexander Swan, Charles Kaufman, Gustavus F Swift

Stockyards: Kansas City Stock Yards, Kansas City, Missouri; St Joseph Stock Yards and Terminal Company, St Joseph, Missouri; Union Stock Yards and Omaha Stock Yards, Omaha, Nebraska

Packing Houses: Fowler Brothers, Armour-Cudahy, Thomas J Lipton, Swift & Company, George Hammond & Company

Keywords: W A Paxton; Gustavus F Swift; Union Pacific Railroad; Hannibal & St Joseph Railroad; Chicago, Burlington & Quincy Railroad; Armour-Cudahy; Swift & Company; Packers and Stockyards Act (1921)

Photographs / Images: Omaha stockyards about 1930, building the Union Stockyards in Omaha about 1883

# The Stockyards, a Hotel for Stock or a Holding Company

*By Harmon Mothershead*

This paper will examine the reasons for establishing stockyard industries in Kansas City, St. Joseph, and Omaha; explore the diversification of the industry; and determine the nature and personnel of the corporate structure which controlled the industry. No attempt will be made to consider the effects the industry had on the growth of communities, on labor, municipal development, utilities, improvements, immigration, or way of life.

Almost without exception the same pattern developed in the three towns. Western cattle were in demand in the East. Railroads were building westward connecting East to West, and the cattle trade was as essential to the wealth of the railroads as it was to the health of the nation. Railroads built stockyards as watering and transfer yards for stock in transit during long trips by cattle car where loss to cattlemen could be great. Businessmen in the trading centers along the edge of the Great Plains recognized the possibilities of slaughtering cattle closer to the source and shipping the finished product East.

In Kansas City the first yards were established by the Union Pacific Railroad in 1867,<sup>1</sup> and within three years the Hannibal & St. Joseph Railroad and the Chicago, Burlington & Quincy had built permanent pens and installed scales, indicating some local marketing. In 1871 the Kansas City Stock Yards Company was organized under primarily local ownership. However, in 1876 control passed to a group of Eastern financiers headed by Charles Francis Adams Jr. Most of the new owners held heavy investments in railroads.<sup>2</sup>

St. Joseph had a local slaughtering business as early as the 1840s. Hogs were driven in from the surrounding countryside, slaughtered, cured, and sold to westbound travelers or sent

eastward by riverboat. Pork packing remained a major business in St. Joseph, with four packers in operation by 1875. The Hannibal & St. Joseph Railroad reached St. Joseph in 1857 and built a small in-transit yards, which also became a feed and sales yard over the next 20 years. John Donovan, a local stockman and trader organized the St. Joseph Stock Yards and Terminal Company in December, 1887, and located it on a 440-acre tract south of town. This was foreclosed on and a new company with Donovan as president organized in 1896.<sup>3</sup>

The Union Stock Yards Company of Omaha began in much the same manner as the St. Joseph yards. Omaha started in the pork packing business in October, 1871, with the Gresselman & Potter firm capitalized at \$2,000. James Boyd started a plant the next year and in 1886 was slaughtering 141,000 hogs. Hogs were supplied from the surrounding areas of Nebraska and Iowa.<sup>4</sup> However, trade of this type and amount did not necessitate the type of stockyard that ultimately developed.

John Smiley organized the Union Stockyards Company in South Omaha in 1876, but it failed for lack of support. Two years later two companies were formed, the Union Stockyards and the Omaha Stockyards, the latter by a group headed by W. A. Paxton. Each took a portion of the same Union Pacific 40 acres, and built sheds, fences, and other facilities. In 1879 Paxton moved his yards to Council Bluffs, Iowa, and the Omaha company returned its lease and lands to the Union Pacific.

Alexander Swan, a Wyoming cattleman who had just launched the Scottish owned Swan Land and Cattle Company, in March of 1883, organized the South Omaha Land Syndicate on August 30, 1883, and the Union Stock Yards Company on December 1, 1883. Swan persuaded W. A. Paxton to move his yards to Omaha and persuaded a group of Omaha investors to finance the development of the land and the yards. At that same meeting the stockyards company purchased 156½ acres at \$500 per acre from the land syndicate.<sup>5</sup>

The instruments of incorporation of the Omaha and St. Joseph companies not only included the general business of the stockyards (feeding, caring for, selling, and purchasing) but also slaughtering, dressing, packing of livestock, and shipping the meat products by refrigerated car. The articles were broad



*Omaha stockyards, about 1930.*

enough to allow the companies to build railroads, warehouses, and a variety of businesses and services reasonably connected with the trade. In St. Joseph and Omaha this included municipal developments, utilities, and industrial areas.<sup>6</sup>

The reorganization which took place with the establishment of the new companies or with the personnel shortly thereafter illustrated the importance of the slaughtering trade to the success of the stockyards. The companies first acquired land, built yards and pens, and established essential services. However, before the yards became fully operational, the companies sought the establishment of slaughtering houses. The board of directors of the Omaha company at its December 12, 1884, meeting gave the president and vice-president full authority to purchase materials and to construct the yards. At the January 10 meeting a contract was made for 6,000 tons of ice and the construction of an ice house. During January the board members traveled to Chicago, New York, and Boston to secure packers.

A proposal from Charles Kaufman and associates to operate a plant was presented to the company at the February 12, 1885, meeting. The proposal required that the company build and equip a slaughter operation which would handle up to 400 beeves per day and loan Kaufmann up to \$50,000 at 6 percent for 18 months. The estimated cost of such a plant was \$50,000, making a total commitment of \$100,000 by the stockyards company in the meat-packing business. In 1885 they built and leased a plant to George Hammond & Company, and at the end of the three-year lease gave the property to Hammond. Similar arrangements were made with Fowler Brothers, Armour-Cudahy, and Thomas J. Lipton. However, not until 1886, when the company gave Swift and Company of Chicago 11 acres of land and \$200,000 (\$100,000 in cash and \$100,000 in stock),<sup>7</sup> did beef slaughtering begin on a scale large enough to assure the success of the yards.

Some beef packing occurred in St. Joseph as early as 1891. The St. Joseph Stock Yards Company was incorporated August 1, 1896, with a capital stock of \$500,000 divided into 5,000 shares of \$100 each fully subscribed with one-half actually paid for. One share each was held by the seven-member board, the remaining 4,993 shares by a trustee.<sup>8</sup> Roland R.

Conklin, vice-president of North American Trust Company, had purchased the bonds of the St. Joseph Stock Yards & Terminal Company under the foreclosure sale with the acknowledged purpose of holding them for the new company. Until October 14, 1897, North American Trust officials remained in control as directors and major share holders. No meetings were held from January 11, 1897, to August 12, 1897, but the company did resolve at its January meeting to secure packing houses. At the October 14, 1897, meeting the North American Trust officials resigned, dating their resignations January 20, 1897. Two days later at the shareholders meeting Gustavus F. Swift, L. F. Swift, E. F. Swift, as well as other Swift associates, were present or represented as shareholders. Eleven of the shareholders present represented all but six and one-half of the 5,000 shares. At that time they approved a contract with Swift and Company and raised the capital stock to \$1,200,000.<sup>9</sup> By March 14, 1898, the directors had entered into similar contracts with George Hammond and with Nelson Morris.

G. F. Swift became a member of the board of directors at the January 10, 1898, meeting, and by 1905 Swift interests owned 55 percent of the 16,000 shares and by 1910, 61 percent of the 25,000 shares. John Donovan, company president, was the only large local shareholder with 1,605 shares.<sup>10</sup>

The St. Joseph and Omaha companies by the early 1900s had established hotels, bars, banks, warehouses, shops, hay and grain concessions (usually on a contract basis), water works, sewers, power plants, and especially terminal railroads, the latter wholly owned subsidiaries of the stockyard companies. They in turn had become subsidiaries—not necessarily wholly owned—of one or more of the big four packers.<sup>11</sup> Kansas City apparently followed much the same pattern, with the Armour family being the dominant factor there.<sup>12</sup> The packers were in control usually as a result of shares given to them in exchange for their establishing plants in the yards. In turn the packing plants became the yards' biggest customer.

Stockyards had a function separate from that of the packers. They had other customers. The first purpose announced in the articles of incorporation was for the feeding and caring, sell-

ing, and purchasing of livestock. It is primarily from this activity that the stockyard companies derived their role as a "hotel for stock," and from which they derived their income. A study of the Kansas City industry stated:

The primary function of the stockyards was to provide the physical facilities needed for the reception, care, sale, and delivery of the livestock. This included keeping a record of receipts and sales, as well as the provision of pens, in the open or in sheds, and feed and water. Representatives of the commission firms did the actual caring for the animals. Feed for animals was sold by the company and a yardage fee charged for services when the stock was sold. These charges, and rental for its building space, were the sources of revenue for the company. The function evidently did not change over the years.<sup>13</sup>

Minnie Ferguson in a 1934 study of the Omaha stockyards was even more descriptive:

The function of the yards is to provide a hotel for transient stock. When livestock cars have been switched from the main railroads into the yards by the terminal railroads, they are unloaded at the chutes by representatives of the stockyards company who receive the waybills and take over the responsibility for the stock. The animals are brought to the pens of the commission firms to which they are assigned and locked in each pen until the commission firm acknowledges the receipt of the stock by requesting the opening of the padlock or the commission men at times meet the trains themselves and receive the stock consigned to them directly.

The Commission men order feed for the stock and offer them for sale. It is customary that only one buyer, either a packer, order buyer or speculator, negotiate at a time with the salesman and many times the deal is completed by a word or a nod of the head, there being no written contracts. The bidding is on the basis of price per hundred pounds live weight, and immediately after the purchase the stock are driven to the scale house operated by the yards company. The total price is determined on the basis of the weight stamped on the scale ticket. When the stock leaves the scale house, the responsibility of the commission man ends, and the stock is in the possession of the buyer, who ordinarily drives it to his own pens, where he keeps it until it is ready for slaughter or transportation out of the market.<sup>14</sup>

The real test of a stockyard's primary function was how it met its expenses, made a profit, and paid dividends to its shareholders. An accurate assessment of this, year by year, yard by yard, would be a monumental task, even if the necessary records were available. Fortunately the St. Joseph yards do have sufficient records for a few years at the turn of the century to allow a calculated estimate. The net earnings of yardage (room rent), feed and weighing divided by the total

number of cattle, calves, hogs, and sheep provide a reasonably accurate account of the profit per animal for these "hotel" expenses. Over the five-year period from 1903 to 1907, that profit per animal ranged from .078 cents to .094 cents.<sup>15</sup> From those strictly "hotel" accounts alone the stockyards made a profit of just under 10 cents a head on 2.9 million to 3.5 million animals per year. At a profit of less than 10 cents per head, huge numbers of animals were necessary just to meet expenses. In addition to the profits made as "hotels" for stock, the stockyard companies also made good profits on their railroad switching operations and on rentals from their exchange buildings. Some services—restaurants, bars, cigar stands, soda fountains, and taxis—operated at a small dollar loss or profit and were maintained as long as they were deemed desirable or until the loss became too great to be absorbed.

Three Missouri River towns, Omaha, St. Joseph, and Kansas City, were by the 1860s established trading centers for the westward trade of the Oregon Trail and Santa Fe Trail. Railroads usually were built parallel to existing wagon roads, and established towns continued to enjoy the benefits of their trade locations. The first stockyards in these three towns were adjuncts of the railroads. They were organized by local traders with small amounts of capital and were of indeterminate success.

The growth of the cattle industry and the development of the refrigerated car gave a new meaning to the packing industry.<sup>16</sup> The big packers, led by Gustavus Swift, developed a processing and marketing system dependent on the refrigerated car. The cars were owned by the packers rather than the railroads, and stockyards changed from railroad waystations to marketing centers for the packing industry.

The role of these towns was to convince the packers that slaughtering was more profitable, efficient, and desirable in a variety of locations than in one or two. These three small western cities did not have the financial resources or population to compete for the slaughtering industry with either the railroads or the big packers in Chicago and elsewhere. Therefore, through the establishment of stockyards along the railroad right-of-way and by generous arrangements, local investors persuaded the big packers to move farther west.

Stockyards did begin and did remain as "hotels for stock," but they could not have existed for that purpose alone without the large volume of animals needed for slaughter by the packing companies. In addition they became umbrella corporations to provide a variety of services, market information, storage, transportation of meat products, hotels, bars, restaurants, banks, commission houses, harness shops, rendering plants, and public utilities. The packing houses provided the power, both financial and physical, that created stockyards. The yards were controlled, through ownership of stock, by the large packers until the passage of the Packers and Stockyards Act in 1921. Stockyards were, in fact, holding companies which fit neatly into that corporate concept so common to the late 19th and early 20th centuries.

*Building the Union Stockyards in Omaha, about 1883.*



## NOTES

1. The Union Pacific, Eastern Division, was called the Kansas Pacific after 1869. William E. Lass, *From the Missouri to the Great Salt Lake: An Account of Overland Freighting* (Lincoln: Nebraska State Historical Society, 1972), 185.

2. Charles L. Wood, *The Kansas Beef Industry*, (Lawrence: Regents Press of Kansas, 1980), 44-45; Eva L. Atkinson, "Kansas City's Livestock Trade and Packing Industry, 1870-1914: A Study in Regional Growth" (PhD dissertation, University of Kansas, 1971), 278-281.

3. William L. Plowman, "St. Joseph Stockyards Tops in State," *Missouri News*, March, 1956, 3 (reprint).

4. Alfred Sorenson, *The Story of Omaha From Pioneer Days to the Present Times* (Omaha: National Printing Company, 1923, First Edition), 601.

5. *Ibid.*

6. "Articles of Incorporation of Union Stockyards Company of Omaha," shareholders meeting, November 30, 1883, and Board of Directors meeting, December 1, 1883. Union Stockyards Company of Omaha, Ltd; Minutes of Board of Directors Meeting, 1883-1907, 2 vols. Vol. I 1883-1907. (Microfilm Reel I) Nebraska State Historical Society; and Articles of Incorporation St. Joseph Stockyards Company, Minute Book 1. Offices of the Company, St. Joseph, Missouri.

7. Minutes of Board of Directors Meeting, Union Stockyards Company of Omaha.

8. Minute Book 1, St. Joseph Stockyards Company.

9. *Ibid.*

10. *Ibid.*

11. "Minutes of Board of Directors Meeting, Omaha"; "Minute Book #2, St. Joseph."

12. Atkinson, "Kansas City's Livestock Trade," 239.

13. *Ibid.*, 283.

14. Minnie Eliza Ferguson, "South Omaha Packing Industry" (MA thesis, University of Nebraska, 1934), 34-35.

15. Year	Net Earnings	Total No. of Animals	Profit per Animal
1903	\$243,495	2,926,675	.083
1904	\$284,669	3,039,087	.094
1905	\$302,156	3,341,158	.090
1906	\$295,553	3,303,776	.089
1907	\$274,966	3,525,660	.078

Compiled from Annual Reports (primarily Treasurer's) to Board of Directors; and Board of Directors' meetings, 1903-1907, Minute Book 2, and 3, St. Joseph.

16. Atkinson, "Kansas City's Livestock Trade," 224-225, 228, has an excellent account of the development of refrigeration, the refrigerated car, and the packer-railroad conflict for the whole industry as well as for Kansas City.