CHAPTER V

THE PACKERS AND THE CATTLEMEN

The cattlemen of the West and Southwest assert that the meat supply is controlled by the packing monopoly, just as the wheat of the Northwest is controlled by speculators and middlemen. They, too, are in the power of speculators which fix the price paid the producer and the price paid by the consumer as well. The cattlemen produce for the world market, but they do not sell to their customers. They sell to the buyers of five or six packing-houses, who arbitrarily fix the price of meat on the hoof. The cattlemen have to accept what is offered or ship their cattle back to the range. They, too, have no real control over their business and no means of being assured from one year to the other that they will receive enough for their cattle to pay for the cost.

The cattle-raisers have finally organized for protection just as have the farmers. They have held conferences, employed counsel, and laid their condition before Congress. They insist that they do not fix the price of meat, but they frequently receive so little that it does not pay for the raising. Numerous investigations have been made, one of them presented as an exhibit before the Interstate Commerce Commission in a rate-case hearing during the winter of 1914–15. The year 1915, despite the European war and the high prices prevailing, is said by the cattlemen to be one of the most disastrous in their history, and the statement presented to the Interstate Commerce Commission, and sworn to by the farmers from whose accounts it was taken, seems to substantiate their claims. The investigation covered 56 Iowa farmers who had marketed 2,025 cattle between them, or an average of 36 head per farmer. Of the total 56 feeders all but 3 lost money, and the latter made a profit of only $667.78 on the sale of 137 cattle. The other 53 lost on an average of $19.32 per head on their operations. And the expense of labor and care was not included in the cost. It was stated that these cases were typical of the industry.

The exhibit was for the year 1915. Yet, while this was one of the most disastrous years in the history of stock-raising, it was a most profitable one for the packers, who made the largest profits in their history.

A committee of the American National Live Stock Association was created for the purpose of securing some sort of relief. The committee prepared a comprehensive report on the subject, which showed that it cost to raise and feed steers for market (in the Panhandle of Texas) $8.10 per 100 pounds, while the price paid for cattle by the packers during the primary market season had ranged from \$7.50 to \$8.05 per 100 pounds. They asserted that the prices paid are so manipulated that the prices are very low during the months when they have to sell their cattle, while during the months when the packers realize on their sales the prices are artificially high.

The cattle-raisers ship in their cattle from the ranges to the stock-yards of the various cities where the packing-houses are located. Each morning the price of cattle on the hoof is fixed by the buyers for the various establishments, who meet for the purpose. This the cattlemen can accept or reject. But the only other market is in a distant city and it, too, is under the same ownership. So the cattleman has to sell at the price which is offered or take his cattle back home. This in many cases he cannot do, for he has borrowed money from the bank to feed and market his stock.

The stock-raisers attribute their helplessness to the control of the cattle business by the four or five companies which dominate the business. For there are no public slaughter-houses and there is no competition among buyers. The packers fix the price paid the producer at one end of the transaction and the price charged the consumer at the other. They manipulate and control prices at will. The killing and packing of cattle is centred in Chicago, Kansas

City, Omaha, St. Louis, Fort Worth, and St. Joseph, Mo., which are the centres to which almost all of the live meat is shipped. But the packing monopoly extends far beyond the mere buying and selling of meat products. It includes the ownership of the stock-yards, refrigerator-cars, oil-mills, and many banks, all of which work in harmony and under the control of the packers. The packers also control the hide business, tanneries, and the produce of tanneries, as well as glue, button-making, cotton-seed-oil, soap, artificial butter, etc. The combination controls the price of the fertilizer which the farmer uses as well as the refrigerator-cars for the transportation not only of meat but of fruits, fresh vegetables, and other perishable products. In fact, the meat-packers, through their control of banks and railroad-cars and the virtual ownership of the means of marketing, possess a more or less complete monopoly of the foodstuffs of the entire nation. This monopoly is made complete by the ownership of local cold-storage plants in all of the large cities. Local butchers can only buy of the trust because local slaughter-houses have been driven out of business. The supply of meat is thus under the control of the four or five big packing establishments from the time the cattle are brought to the stock-yards until the meat reaches the consumer.

One of the reasons for the incredible power of the great packers is that they have at their command the banking capital not only of Chicago but of other financial centres of the West. They are members of the directorate or are represented in practically every bank of importance in Chicago. When the packers are buying the banks are eager purchasers of cattle paper. The discount rate is $\frac{1}{2}$ per cent. to $1\frac{1}{2}$ per cent. above that on other gilt-edged commercial paper. Each morning the telegraph announces the prices Chicago is willing to pay for each quality of stock delivered on the track. The packers pay cash and the farmer is so weak financially that he cannot resist; for the banks which accommodate the cattlemen are controlled by the packers and see to it that the cattlemen sell when the packers desire. The cattle-raiser has borrowed money from his bank to raise his stock. The banks in turn are closely allied with the packers or are owned by them. And the banks carrying the cattleman's paper bring pressure on him to sell, ofttimes in the season of the year when the price has been artificially lowered by the packers. The procedure is the same as in the case of wheat. The packers fix a low price when the cattleman has to sell and then bring pressure upon him through the banks which they control to compel him to sell on the packers' terms.

Thus the packing establishments rather than the producers control the price of meat. And they seem to establish the price at the point which will just keep the industry alive. Frequently they reduce it below the production cost. This discourages cattle-raising and creates a scarcity in subsequent years. Then the price is raised again and the producers take heart and increase their output.[1]

The packers also control the cold-storage plants, the grain warehouses, and the refrigerator-cars, which are important links in the system. This enables the packers to destroy any independent competitor; for he is obliged to come to them for cars. And the refrigerator-car companies are in close alliance with the railroads through interlocking directorates. The cold-storage-car monopoly enables the packers to exact tribute from the small shipper and makes him dependent upon their will.

The cattlemen are coming to see that their only hope of relief is through political action. They, too, have come to realize that the abuses under which they suffer are inherent in the private ownership of the stock-yards and packing-houses. And they have recommended that public abattoirs be established, similar to those in other countries, to which they can bring their cattle and sell them, not to a single buyer but in the open market. Every nation in the world, with the exception of the United States

[1] This is one of the main reasons for the falling off in cattle-raising. We pay enough for meat at retail, and there is land enough all over the country that could be used for raising cattle, yet the meat produced in 1909 was only a little over that of 1899, while the per capita production for the country has fallen from 248 in 1899 to 219 in 1915.

and England, has public abattoirs. We have left this industry, like distribution, in private hands. And the cattlemen, like the wheat-growers of the Northwest, have come to believe that the only way out of the uncertainties and exploitation under which they suffer is through government-owned terminals and packing-houses.[1]

Here again we find the middlemen destroying an industry. They first discourage the raising of cattle, sheep, and hogs in the East by the monopoly of slaughtering, and then, having subjected the industry to their control, they create such uncertainty and pay such low prices that they discourage the industry in the West as well. The meat supply, like wheat and other staple foods, is now not controlled by the producer; it is controlled by the middleman. And he has put an end to the operation of the law of demand and supply by destroying all competition.

[1] Later chapters containing a description of the public-owned abattoirs of Australia, Germany, and Denmark show the effect of public ownership in this field. It frees the producer from monopoly, on the one hand, and the consumer on the other. See especially the various measures provided by the several Australian states for selling meat products and bringing them to market.