

MIDCONTINENT PERSPECTIVES

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Kansas City Board of Trade

A Century of Agriculture and Its Commerce

I have been asked to speak to you today about the history of agribusiness in Kansas City. Not many other great cities have relied on agribusiness as much as Kansas City – basically, agriculture and agribusiness built this town. Even so, as Kansas City has become more and more urban, it has become fashionable to play down the role of agribusiness in its history. Many people in Kansas City want it to be more like an East Coast metropolis and get rid of the cowtown image the city has held for so many years. After all, some may not want to be known as boot-wearing, hayseeds from the Land of Oz.

Kansas City may eventually get rid of the cowtown tag, but the history of agribusiness in this city is undeniable. The packing houses and the stockyards may be gone, but agribusiness remains one of the biggest influences on the city. Kansas City is the home of the American Royal and the national FFA convention. Farmland Industries, the nation's largest agricultural cooperative, is based here. The world's largest futures market for trading hard red winter wheat is here, as well as the Agricultural Hall of Fame. These and many other agribusiness corporations and institutions provide thousands of jobs and pump millions of dollars into the economy. Losing any of them would have a significant impact on the city.

In recent years, there have been an abundance of articles and news stories on the miseries in agriculture and agribusiness. But agribusiness is far from dead. There have been some tough times as agriculture adjusts itself to new global situations, but these difficult times have forced our agricultural system to become that much more efficient. For instance, our farmers produce food so inexpensively that the average American family spends only 13 percent of its budget for food. A family in Western Europe spends 50 percent more than we do, and a Japanese family spends twice as much. In developing countries of Asia, Africa, and Latin America, the percentages are even worse. The average family in those areas spends 40 to 60 percent of its income for a diet that, for most of the population, borders on malnutrition.

Agribusiness' Role in Early Kansas City

To understand why agribusiness was and is such a force in this city, we must look at how this town evolved. The September 26, 1884, issue of the *Modern Miller* said that a more unpromising location could scarcely have been selected for a great city, because the surface of the ground was very irregular and bluffy, except for the low bottom land where the two rivers unite.

Most historians agree that once the first bridge, the Hannibal, was constructed across the Missouri River in 1869, Kansas City's destiny as the gateway to the West was sealed. But the

tract of bottom land, now known as the West Bottoms, attracted the railroads in the first place, and soon became the nucleus of the city. This large tract of land gave favorable advantages to the wholesale interests of the town. And, because the bottoms were soon covered with railroad tracks, wholesale houses on almost any street were able to be located on the tracks

An 1888 edition of *Harper's Weekly* called this area "a smoky, flat and dirty stretch of land that is the actual heart of the Kansas Plains." It went on to say that there has been nothing unnatural in Kansas City's growth. When the railroads decided that Kansas City should be the gateway to the Kansas Plains, the city's growth merely kept pace with the growth of the state of Kansas – and Kansas' growth came about largely because of agriculture.

The Hannibal Bridge may have sealed Kansas City's destiny as the major metropolitan area in the region, but after this bridge was built, it was agriculture that made Kansas City a hub for rail traffic in the region. As agricultural trade expanded, rail lines sprouted like wheat in the Kansas soil. As early as 1884, 12 railroads were centered here, and 66 passenger trains arrived and departed daily. Freight trains were even more numerous.

The demand for freight to haul the ever-increasing amount of grain and livestock kept the rail industry growing. And as the rail industry grew, so did the city. According to the *Modern Miller*, "The railroads centering at Kansas City traverse some of the finest agricultural country to be found anywhere, and are, as a consequence, continually pouring wealth into the coffers of the city's businessmen." By 1884, Kansas City was second only to Chicago as a pork packing center. By 1888, it was second to none in pork packing. Its grain business was growing tremendously, with nine grain elevators already constructed by this time.

Livestock Trade

The livestock trade probably had more impact on the growth of Kansas City than any other business. This business is now only a memory, becoming extinct as the livestock trade moved further west and the packing houses followed, but its presence as an economic force in Kansas City will be long remembered.

In the early days of the livestock trade, Kansas City was merely a shipping and receiving point. Chicago and St. Louis commission houses had agents here who solicited consignments for the firms they represented. From this small beginning the Kansas City Stock Yards and Livestock Exchange grew into industry giants. A turn-of-the-century publication said, "It may be safely said that without the great livestock industry, Kansas City would never have gained the proud place in the business world which she now holds so securely."

But Kansas City's place in the livestock industry wasn't really sealed until the Kansas government stepped in. For a time it seemed as if Abilene were to be the livestock center of the West. But, in 1871, the Kansas legislature, at the instigation of farmers living in the vicinity of the town, passed a law that killed the livestock industry at Abilene. In June of that same year, the Kansas City Stock Yards Company was organized.

Fifteen years after the Stock Yards Company came into existence, the Livestock Exchange was organized. The exchange became necessary as trading abuses being practiced by some of the dealers were becoming more apparent. In order to get rid of these abuses, it became necessary for some of the leading firms to band together for mutual protection.

In 1888, there were already 18 commission firms in business at the Kansas City Stock Yards. These firms, according to the January 14, 1882, edition of the *Frank Leslie Illustrated*

Paper, could compete with any in the country in experience, energy, and enterprise. The facilities for the prompt and careful handling of livestock were unsurpassed, the paper said. In 1868, just 1,200 head of cattle and 13,000 hogs passed through Kansas City. However, 13 years later, 286,000 cattle and over 1 million hogs passed through the stock yards.

The exchange building itself was considered the finest of its kind in the world. It was built of red pressed brick, had three and one-half acres of floor space, three-quarters of a mile of hallways, 353 offices and two large assembly halls. The building stood partly in Missouri and partly in Kansas, with the state line marked by a row of red tiles across the floor. Overall, the stockyards covered 175 acres.

Because of the progress of the livestock trade, Kansas City soon became a great packing center. As H. Ross Perot might say, there was a great sucking sound as more livestock were funneled through Kansas City from the Southwest. This development soon caught the attention of the packing houses, and it wasn't long before the city began to establish itself as a meat-packing center.

The advantages that made Kansas City a dominant packing point and hub for the livestock trade were obvious. It was near the producers, so the stock had only a short distance to travel. And there was a well-established system of railroads, which afforded quick and convenient facilities for reaching every feeding section.

The packing houses came to Kansas City because they found a desirable cattle market here. As a result, the packers had a noticeable effect on the infrastructure of the city. For example, because of the enormous shipments that were made to Kansas City, the railroads were forced to improve and expand their transportation facilities. The packing houses also had a considerable effect on the makeup of the population, as they served as a magnet in drawing immigrants to the city.

Kansas City was soon the largest packing house center in the Midwest. There were seven houses in 1905 and two more were being built. The 18 railroad systems centering at Kansas City at this time afforded unparalleled advantages to the packers in the distribution of products. This, with the strong competition of the independent houses, created higher average prices than at smaller markets.

But the same qualities that attracted the packing houses also caused them to leave. Changing feeding patterns prompted the packing houses to move further west and south to the cattle, and north to the hogs. According to a speech made in this same forum in 1983 by National Farms president Bill Haw, the cattle are now fed and slaughtered in the Southwest where they are raised. He said, "This is because grain production emerged there under irrigation. The patterns of sale and feeding changed. The times passed us by, and Kansas City does not fill that need anymore." By the 1950s, the livestock industry was already in decline when the great flood of 1951 put the final nail in the coffin.

Board of Trade Influence

Like the livestock industry, the grain industry has also changed in recent years. Grain receipts have steadily declined, shutting down flour mills and grain elevators. But also like the livestock industry, the grain industry played a big role in bringing Kansas City to the status it currently enjoys.

The early growth of the grain business was only natural, considering the location of Kansas City in the center of some of the country's best wheat and corn growing areas. But if the businessmen of the city hadn't taken advantage of this factor, the grain trade certainly would have gone elsewhere.

If you traded grain in Kansas City, then you were more than likely a member of the Board of Trade of Kansas City, Missouri. A turn of the century promotional brochure for Kansas City said the membership of the Board of Trade was primarily responsible for establishing the city as a great primary market for grain. The Board of Trade's only peer in this responsibility, according to the brochure, was the rich agricultural territory surrounding the city.

The Board of Trade has a long history, which is closely tied to the development of Kansas City. It began as the commercial exchange, a civic promotion society, in 1856. At that time it served more as a chamber of commerce and comprised all business interests. It went out of existence during the Civil War, but was reorganized on February 6, 1869. However, with its redevelopment, it took on a new look. Many of its early objectives had been met, and the new era of growth and prosperity demanded a different type of organization. The Board of Trade was the result.

There were 67 charter members of the Board of Trade. Thomas K. Hanna, who was the first president of the organization, is known as the father of the Board of Trade. Other men who served as officers in the early years were H. J. Latshaw, Dr. R B. Nofsinger, Howard M. Holden, Kersey Coates, and Thomas B. Bullene. Mr. Coates built the Coates House, which for many years was Kansas City's leading hotel.

Mr. Bullene was one of Kansas City's oldest settlers, and one of its leading merchants and citizens. He owned the Bullene, Moore and Emery department store, and recognized the significance of agriculture to the economy of the city. In his diary in early 1874, he remarked after a hugely successful sale that he was "inclined to think that this community is most peculiarly sensitive to the influence of advertising." Just a year later, however, even advertising wasn't much help.

Late in 1874, and through much of the following year, hordes of grasshoppers moved into the region. In between entries about the size and scope of the plague, Mr. Bullene had one comment that revealed just how large a role agriculture played in the economy of Kansas City: "April 30. Had a retail sale of dress goods bought at auction. Not very well attended, although well advertised and goods cheap. Money is scarce." The grasshoppers were wreaking havoc on the region's crops, and, as a result, less money was flowing into the area. Thomas Bullene's tribulations during the grasshopper plague are no doubt similar to what small-town main streets feel today in the midst of a drought or other agricultural catastrophe.

Leading up to the period Mr. Bullene mentioned, Kansas City had several booming years. In 1869, Kansas City experienced one of its most prosperous years. And much of this growth was guided by the businessmen of the Board of Trade. During 1869, the Hannibal Bridge was completed, and four and one-half miles of streets were made. Three railways came into town from the east, and three railroads leading westward were completed. Two street railways were charted, and 42 different additions to the city were platted.

The movement that resulted in the first paid fire department started with the Board of Trade. It took up an extensive system of street improvements, which included the grading and

paving of Second, Fifth, Twelfth, and Bluff streets, and Independence Avenue. The Board of Trade was also instrumental in getting the early railroads established and linked to the city.

By 1870, grain production in the region began to exceed the local demand, and grain began to be exported to eastern markets. In view of this fact, the need to establish a grain exchange became apparent. The first grain elevator to be built was started in 1871 by Latshaw and Quade. The elevator had about 100,000 bushels of storage capacity and was opened for business in December of that year.

However, Latshaw and Quade were slightly ahead of their time. It seems there were no grain dealers to use the elevator, so they went into business for themselves, and thus became the first men to conduct a grain business in this city as a strictly commercial pursuit. About this time grain activities also began to dominate the exchange's activities. In 1876, the Board of Trade had grown beyond its original voluntary status, and it obtained a charter from the circuit court in May 1876. It was then an official exchange.

Early day cash grain operations in Kansas City were limited to production from western Missouri and eastern Kansas. However, the geographic location of Kansas City was a natural drawing point for agricultural items throughout the region, and soon better roads and railroads were established to ship the produce.

In 1873, Kansas wheat production was only 4.5 million bushels of primarily soft wheat. But in that year, some Mennonite immigrants introduced Turkey hard red winter wheat seed from southern Russia. By 1880, Kansas harvested 25 million bushels of wheat and by 1892 nearly 75 million bushels. As the Kansas harvests grew, so did the Board of Trade, congregating merchants in its trading rooms to buy and sell the incoming grain.

Kansas was well on its way to being the wheat-producing capital of the United States, and Kansas City was the hub of hard red winter wheat trading. The wheat brought jobs in the many storage facilities, flour mills, feed mills, and grain merchandising firms. These new jobs meant phenomenal growth in the city itself. The population increased from 3,500 just after the Civil War to 30,000 in 1870, 60,000 in 1880, and 85,000 in 1882.

The fantastic increases in wheat production also meant Kansas City was able to sell more to the outside world, bringing in much needed capital. This capital helped finance the growth of the town. Ironically, in its early years the Board of Trade was located in the basement of the First National Bank building.

In June 1876, something described as grain call trading was launched, and it is from that point that the Board of Trade became a center for futures trading. That year, memberships were available for \$100 or less. Prices quickly advanced to \$500 in about ten years and to \$1,000 by the turn of the century, as Kansas City's importance as an agricultural center grew. Around World War I, as the grain business exploded, the demand for memberships became so great that an additional 17 memberships were authorized at \$15,000 each.

Over the years, the men who guided this growth at the exchange as president included William T. Kemper, B.C. Christopher, and a man with a last name that is familiar at the exchange today, Theis. Beginning in 1928, John Theis was the first of four generations of his family to serve as president. He was followed by Frank in 1931, Willis in 1967, and Stephen in 1991.

But like the livestock industry, much has changed since these early days of rapid growth. Wheat no longer comes to Kansas City in the quantities it once did. In 1929, 102 million bushels of wheat were received in Kansas City. Last year, only 80 million bushels were recorded. So much wheat is now exported that it is simply shipped directly to the Gulf of Mexico, bypassing Kansas City altogether. But, because of the Kansas City Board of Trade, and the increased reliance on wheat futures as a means of price discovery, Kansas City still establishes the benchmark price for bread wheat. If you are in Emporia, Kansas, or Cairo, Egypt, and want to know the price of wheat, it is the price discovered here.

Today, even though wheat no longer physically comes here in the quantities it once did, the paper representing it does. For example, in 1929, futures trading volume set a record of just over one billion bushels. In comparison, in 1991, a record seven billion bushels were traded at the Board of Trade. At an average price of \$3.50 per bushel, that wheat represented nearly 25 billion dollars.

The Board of Trade stands out in the history of Kansas City because it has been so successful and has grown with the city. It has been forced to move to newer and bigger locations several times to accommodate its growth. I am very proud to be associated with such an organization. To hear me talk, you may think the exchange is always perfect. Now that is true to a large extent, but the timing of the exchange has not always been perfect.

An old edition of the Kansas City Star has a headline that reads, "A Kansas City stock exchange will become an actuality next as an industry, business stimulus." It goes on to say that June 17 will be the start of the stock exchange department of the Kansas City Board of Trade. Forty-seven companies were to be listed on the exchange, and optimism was rampant. When was this? Well, it was a memorable year in the history of another well-known exchange; it was 1929.

Louis Rukeyser summed up our exchange in 1985 when he said, "It's been four decades since those urban tunesmiths, Rogers and Hammerstein, first informed us that everything's up to date in Kansas City. But it was not until this last decade that the financial world discovered how right the boys had been, for it was right here in the nation's heartland, to the consternation of the alleged smoothies on the coast, that one of the most successful financial innovations of the twentieth century was born – stock index futures.

"The sharpies of Chicago and New York have followed Kansas City's example with index futures contracts of their own, and the institutions give their heaviest play to the Standard and Poor's 500 contract on the Chicago Mercantile Exchange, but the Kansas City Value Line Contract remains the broadest, the most volatile, and in many ways, the most exciting index futures contract of them all. And what could be a better place to talk with top experts on the plight, the future, and the money-making opportunities of U.S. farming than at the Kansas City Board of Trade, which, for the last 124 years, has been the world's primary marketplace for futures trading in hard red winter wheat. Now do you believe me, that Kansas City is a financial powerhouse?"

In Louis Rukeyser's words, Kansas City is a financial powerhouse. The reason it has achieved this status is simply because of agribusiness.

Flour Milling

The Board of Trade helped establish the grain trade, and the grain trade helped establish Kansas City as a great milling center. Jackson County's first grist mill was built in 1844 on the

banks of the Little Blue River. It didn't last long, however, and within a few years the timbers for the mill were holding up a nearby barn.

This was the pattern of the early milling industry. Up until 1870, the milling industry was negligible, and much of Kansas City's flour supply was shipped in from eastern Missouri and Illinois. In fact, in 1884, the *Modern Miller* said that despite its phenomenal growth in other industries, the flour industry was in poor shape. But the correspondent also predicted that if he lived long enough he expected to see the day when Kansas City would be one of the most important, if not the leading, flour center of the country. He was quite a prognosticator.

Once again, location had everything to do with Kansas City being established as a milling center. Because of the establishment of Kansas City as a great wheat trading center, flour mills, like the meat packers, found it to their advantage to relocate here. Flour mills were built and expanded, bringing jobs and currency into the city. Flour production grew from 725,000 barrels in 1894 to nearly 8 million barrels in 1929.

After 1900, the number of mills and elevators increased more rapidly. Milling interests from other cities, recognizing the possibilities of Kansas City's geographical position, began to open up new plants nearer the wheat country. According to Robert E. Sterling, editor of the *Northwestern Miller*, the golden age of milling in the Southwest began in 1906.

In 1917, when the United States entered World War I, five new mills were in operation. Such expansion came about partly because of larger wheat crops, Kansas City's superior proximity to the surrounding wheat country, the growing popularity of flour made from hard winter wheat, and the excellent transportation system radiating from Kansas City.

After the war, as crop sizes continued to increase, still other mills located near the source of supply. In 1920, three new mills started operation. From 1920 to 1929, the output of the Kansas City mills doubled, which meant that it had more than tripled since 1900. The production of nearly 8 million barrels of flour in 1929 represented 6 percent of all the flour made in the nation.

In 1933, the Agricultural Adjustment Act was passed, and farmers were subsidized to plow under some of their acreage that had been used for wheat. During one year, Kansas farmers who adopted the plan were paid \$62 million for allowing part of their land to remain idle. In spite of the government's program, bumper crops on controlled acreage sent the record of Kansas City's grain receipts up to 117 million bushels in 1938. In 1941, when the United States entered World War II, receipts exceeded 104 million bushels, and by 1945, they had doubled to 208 million bushels. Wartime needs eliminated a mounting surplus of wheat, which had been a matter of increasing concern.

In 1944, over 10 percent of the annual wheat production of the United States was shipped to Kansas City. Because of this fact, by the 1940s, the city became a milling center ranking second only to Buffalo, New York, in the volume of barrels of flour produced. In 1946, Kansas City had eight flour mills, and Independence had one. Together they had a combined annual capacity of nearly 9 million barrels of flour.

Today, the wheat flour industry has shifted in much the same way as the livestock industry. In the past, most of the cattle from the Southwest were slaughtered here. Today, a high percentage of cattle are still slaughtered in the region, but not in Kansas City. Nebraska, Kansas, and Texas, in that order, are the top three states in cattle slaughter.

The same holds true for wheat flour milling. Much of the milling capacity has shifted from Kansas City to the West, and the number of mills in the city has been cut in half in 50 years. Kansas ranks number one in the United States in flour milling capacity, with 18 mills, but only one of those mills is in the metropolitan area. Missouri ranks fifth in the United States in milling capacity with eight mills, and there are three mills in the Kansas City metropolitan area.

But unlike the livestock industry, Kansas City still has a viable milling industry. General Mills has its largest U.S. wheat mill here, as does Archer Daniels Midland. These mills are the seventh and tenth largest in the United States, and between them they are able to produce over 4 million pounds of flour a day. Overall, the flour mills in the Kansas City metropolitan area still have a daily capacity of over 5.6 million pounds of flour.

Government's Role

Much has changed in Kansas City agribusiness over the past 100 or so years, but much is the same as well. Take, for instance, this quote from a 1931 pamphlet published by the Kansas City Board of Trade: "Just now, the commercial sky is brightening everywhere and the grain trade is emerging from a period of depression caused in part by government meddling with business in this country." We were complaining about government involvement in agriculture 60 years ago, and the complaining continues today.

But where Kansas City agribusiness is concerned, the government is one of the biggest, if not the biggest, employer in town. A 1977 study on agribusiness by Midwest Research Institute found that government offices that regulate, record, and gather statistics employed about 1,400 people with an annual wage bill of over 20 million dollars.

Kansas City's location and reputation as an agribusiness center probably attracted government offices here. The government grew as agribusiness grew, and it grew as agribusiness consolidated. It is difficult to know the current number of employees under the Department of Agriculture umbrella in Kansas City, but it is estimated to have some 130,000 employees. A few offices located here include the Commodity Credit Corporation, the Agriculture Stabilization and Conservation Service, the Federal Grain Inspection Service, and the Farmers Home Administration.

At the Kansas City Board of Trade, we pride ourselves on representing one of the purest forms of a free market. So when the government gets involved, we tend to cringe. For instance, instead of allowing the market to function freely, it attempts to control supply and demand, usually without much success. On the supply side of the market, the government pays farmers to not produce grain. On the demand side, it offers export subsidies and low-cost or no-cost loans to countries to buy U.S. grain.

Despite our complaints, the government is a force in U.S. agriculture, and many Kansas Citians gain their livelihood by working for the Department of Agriculture. The past and the future of Kansas City agribusiness, in many ways, lie in the decisions made by the Department of Agriculture. With the right policy choices, agribusiness could contribute powerfully toward national economic growth and employment.

Some recent decisions, in my opinion, have inhibited the growth of U.S. agriculture. Expenditures on agricultural programs have been cut in half since the mid-1980s, and exports have been stagnant at best, declining at worst, despite continued growth in world trade for these commodities. The lack of U.S. agriculture expansion is creating serious economic problems for

agribusiness. Railroads, barge lines, elevators, fertilizer dealers, and farm equipment and supply dealers all feel the pinch of reduced economic activity in agriculture. Beyond those businesses directly associated with agriculture, rural banks and main street stores are also affected. Many small towns have seen their main street shops boarded up over the past decade, due directly to the economic ills plaguing agriculture.

One current growth-impeding program is the practice of idling acreage to control supplies. The United States is now idling nearly 64 million acres of cropland previously devoted to production. Some of this land has been idled for legitimate reasons and should not have been plowed in the first place – for example, the highly erodable areas of the western plains. But much of the idled land is highly productive and has been idled simply to control supplies.

Meanwhile, as we take acres out of production, our competitors add acreage. This allows our competitors to increase exports and gain capital to establish infrastructure. With this infrastructure in place, these competitors are in for the long haul. By looking at exports, we can see how disastrous our recent policies have been. In the past five years, U.S. wheat exports have fallen 20 percent to about 35 million tonnes. During that same period, one of our toughest competitors, the European Community, increased their exports by 55 percent to 23 million tonnes.

The farmers themselves have not felt the impact of this loss of productive capacity. Net farm income, which is widely viewed as the barometer of the agricultural economy's health, has remained at relatively high levels as a result of government payments. But the economic impact on other segments of agriculture has been much more severe, and has affected agribusiness throughout the nation, including Kansas City.

One example is the rail industry. Because of slack demand, rail carriers reduced the number of rail cars available for grain and product shipments by 18 percent during the last decade. Another example is the grain storage and handling industry, which has seen severe problems in recent years. Grain storage facilities are being sold at depressed prices unprecedented in recent times. According to the National Grain and Feed Association, a grain elevator in the Midwest was sold at an auction recently for just over 6 cents per bushel of storage capacity. That compares to an average of 50 cents per bushel of capacity in the mid-1980s. Construction costs for new facilities range from a \$1.50 to \$3.00 dollars per bushel of capacity. Kansas City, and many other agribusiness centers, would benefit in the future if acreage control policies and other growth-impeding policies were phased out.

Other Industries

Returning to agribusiness, I should address the many other industries that have sprouted in Kansas City due to agriculture. However, there are just too many to go into detail on each. Some of the more important, however, include agricultural implements and high technology.

Everything from the Butler Manufacturing grain bin to the John Deere plow has been manufactured here. And more recently, high technology firms have come into their own to bring agriculture into the twenty-first century. Chemical and biotech firms are just two examples. Miles Incorporated, based here, is an international leader in the agricultural chemicals field.

Agribusiness Today

Much has changed in Kansas City agribusiness over the past 100 years. Cattle and grain no longer come here in the physical quantities they once did, and the number of flour mills has

been halved since World War II. But agribusiness remains an important economic force in the city, and the agricultural region served by Kansas City is unmatched by any region in the United States in production capacity. With improved government policies, agribusiness has the potential to contribute even more to the city's and the region's growth.

A 1989 report by the Kansas City Economic Development Corporation revealed that agribusiness accounts for almost 300 firms and 8,000 jobs in Kansas City, Missouri. An additional 850 firms and 16,000 jobs are attributed to agribusiness in the ten-county metropolitan area.

The industry has undergone much change over the past 40 years, which has significantly altered Kansas City's role as a national agribusiness center. Mirroring the trend throughout the United States, the majority of agribusiness and food production jobs in Kansas City have become service oriented. The industry has had to adapt to consumer trends. For example, it is estimated that by 1999, 62 percent of consumer spending on food will be for purchases made outside the home. This compares with 45 percent in 1988 and 39 percent in 1981.

Data in 1988 revealed that slightly less than 3 percent of Kansas City, Missouri's workforce is involved in the agriculture and food industry. About 8 percent of employees in the ten-county metro region are involved in the industry. While previous strengths, such as meat packing and grain storage, have declined, others remain, including farm equipment manufacturing, grain milling, and baking. New and growing areas of the industry include agricultural chemicals, animal health pharmaceuticals, and biotech firms.

According to a recent *Kansas City Star* article, the city remains a center for agricultural lending. Boatmen's Bank ranks 35th in the nation in agricultural loans. Commerce and United Missouri banks actively pursue rural banks' business. Metropolitan Life Insurance has put 2.2 billion dollars into farm and ranch loans out of its Overland Park, Kansas, offices.

The future strength of industry in Kansas City lies in its diversity. Its location in the center of an agricultural production region helped the city thrive in the past. Although this will remain an advantage, industry is still constantly changing. To remain competitive, agribusiness companies must consider taxes, economic incentives, and environmental regulations before locating or expanding operations here.

Agribusiness has and will continue to be a force in the Kansas City economy. How much of a force depends on the industry's ability to adapt to change and on the decisions made by the city's and the country's leaders.

In closing, I want to say thank you to Dr. Kimball for his gracious invitation to make this presentation. Having lived in Kansas City now for 34 years, I think I'm qualified to say that Dr. Kimball is one of our area's unique assets, and I feel very fortunate to consider him a good friend.

QUESTIONS AND ANSWERS

QUESTION: Would you expand on the ancillary businesses located in Kansas City because of agriculture?

ANSWER: It goes pretty far afield. Right now we are becoming a huge center of the veterinary health field, for instance. That would not happen if it were not for agriculture,

obviously. Some of the old hardware companies came here because of agribusiness. And I could go on and on. One of the things that I think is heartening for agriculture here is that a lot of the high-tech products, again referring to the veterinary medicine field, are coming here, which is a good sign for the future.

QUESTION: How do you see the North American Free Trade Agreement (NAFTA) affecting activities of the Kansas City Board of Trade?

ANSWER: Well, obviously, it's positive. Anything that contributes to free world trade is going to be a tremendous advantage. In November, the chairman of our board and I went to Mexico City, primarily because of the prospects raised by the NAFTA agreement. We were tremendously heartened by what we found there – profoundly positive changes in the economy and the society. And what that means is an expanding market for U.S. goods.

So anything that opens up free trade, such as the NAFTA agreement, is a positive development. I would also add that the diminishing prospects of the trade war, which looked pretty ripe with the European Community recently (in regard to the General Agreement on Tariffs and Trade), is a positive development, because the last thing we wanted to see was a trade war.

One further point. Back to what I said about subsidies and government policy, countries in the European Community are faced with the same budget restraints that we are, and we not only don't want a trade war, but we want an agreement that will gradually phase out this insane subsidy war.

QUESTION: With the cutback of irrigation in Kansas, what is it going to do to the state's grain business and the cattle business?

ANSWER: Once again, there has to be a balance between conservation and economics. I'm a long way from being an expert on this subject, but if you look at the water table situation in Kansas, they went from drilling too many wells to not drilling nearly enough. What you really need, if we are going to have sustainable agriculture in any sense, is some sort of a balance. I think that is necessary throughout the economy or throughout the agricultural economy. In my judgment, the best conservationists by and large are farmers, and we sometimes lose sight of that fact.

QUESTION: Given the advent of the use of electronics by commodity exchanges throughout the world, do you see the Kansas City Board of Trade moving in that direction?

ANSWER: The answer is absolutely yes, but I want to qualify that a little bit. First of all, when you walk onto the floor of the Kansas City Board of Trade today, you will see the most modern electronic boards that you will see anywhere in the world. Our Translux boards predated the installation of those boards even at the Chicago Board of Trade. There has been a good deal written about Globex, which is an after-hours trading system that Reuters and the two Chicago exchanges pioneered. We are monitoring that situation very closely and have been assured that any time we want to become a partner in that system, we can. However, there are no agricultural commodities currently trading on Globex, and it will be many years before that happens.

We are monitoring all these developments. The logical outgrowth of your question is: Will exchanges be all electronic? Maybe someday. But I don't think so in my lifetime or probably yours. I think we will tend to have more and more use of electronics. As to the current system of "open outcry," nothing has been found yet that replaces it.

QUESTION: Do you think the *Kansas City Star* was too rough on the U.S. Department of Agriculture in its recent series of articles? (See *Kansas City Star* issues December 8-14, 1991.)

ANSWER: I personally wrote the *Star*'s editor a letter and told him that I predicted that they would win a Pulitzer prize. I am basically in agreement with what they said about USDA. Edward Madigan, the U.S. Secretary of Agriculture, is going to announce the elimination of about 20 or 25 percent of the USDA field offices. That is a direct result, perhaps, of those articles, and I think the *Star* should be commended and congratulated for writing the series.

I wish those same writers would now do a series on what the acreage reduction programs are doing, not just to the Board of Trade and agriculture, but to small-town America, small-town banks, and small-town school systems. I wish they would point out that those programs are not necessarily helping the farm. They are helping the landowner in many cases, and that isn't the same person. Again, when our competitors in the world, namely the European Community, are putting more land into production and are building infrastructure to sustain that, it means it's going to continue. I would like to see those same investigative reporters do another series focusing on what acreage reduction has done to us.

QUESTION: What has been the impact of agricultural schools like Kansas State University and University of Missouri-Columbia?

ANSWER: It has been incredibly positive. The fact that we spend so much less of our discretionary income on food as any other country in the world is a testimony to what the American farmer can do. Now, why can he do it? He can do it because of research at places like Kansas State. The fact that they are developing better crops and better yields has had a tremendous impact. At the Board of Trade, we have worked very closely with these universities, particularly with Kansas State University. I think it's impossible to underestimate the respect that we ought to have for these institutions.

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[Top](#)

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Midcontinent Perspectives was financed by the Kimball Fund, named for Charles N. Kimball, President of MRI from 1950 to 1975, Chairman of its Board of Trustees from 1975 to 1979, and President Emeritus until his death in 1994. Initiated in 1970, the Fund has been supported by annual contributions from individuals, corporations, and foundations. Today it is the primary source of endowment income for MRI. It provides "front-end" money to start high-quality projects that might generate future research contracts of importance. It also funds public-interest projects focusing on civic or regional matters of interest.

Initiated in 1974 and continuing until 1994, the sessions of the Midcontinent Perspectives were arranged and convened by Dr. Kimball at four- to six-week intervals. Attendance was by invitation, and the audience consisted of leaders in the Kansas City metropolitan area. The lectures, in monograph form, were later distributed to several thousand individuals and institutions throughout the country who were interested in MRI and in the topics addressed.

The [Western Historical Manuscript Collection-Kansas City](#), in cooperation with MRI, has reissued the Midcontinent Perspectives Lectures in electronic format in order to make the valuable information which they contain newly accessible and to honor the creator of the series, Dr. Charles N. Kimball.