

THE WICHITA GRAIN MARKET

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Bachelor of Arts,
University of Kansas 1924.

Thesis
1927
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c: 2

Submitted to the Department
of Economics and the Faculty
of the Graduate School of the
University of Kansas in partial
fulfillment of the requirements
for the degree of Master of
Arts.

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August 1927.

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SECTION I

THE WICHITA BOARD OF TRADE.

(a) The Early Cattle and Wagon Wheat Markets.

The town of Wichita was incorporated in the year of 1870 and became a city of the third class one year later. In 1871 its census showed a population of fifty persons. The first important business it had was the sale of buffalo robes. Next came the Texas cattle trade. The cattle were driven in large numbers over the Chisholm Trail to Wichita and then were sold and transported to eastern markets. The first railroad out of the city, the Wichita and Southwestern, was a short line built in 1872 to connect with the Santa Fe at Newton, Kansas. The construction of the road accentuated Wichita's importance as a cattle town since it made that city for some time the nearest shipping point for southwestern stock. The road was built largely because of the prospects offered by the cattle trade.

For a period of years Wichita remained a cattle market and was known as a cowboy city. But the city was fortunately located in a fertile territory, whose soil and climate were especially adapted for the growing of grain. With the opening of farms for the rais-

ing of wheat and other cereals, the city's importance as a cattle market gradually lessened while its position as a grain market became increasingly significant. To Wichita were brought many wagon loads of grain that either had to be shipped on or milled into flour at home. The young city promptly responded to its opportunities and provided mills, elevators, and a market to handle the grain. With its facilities for buying and shipping grain to other markets, Wichita became a large wheat buyer for its territory. Increasing cargoes of wheat were brought over long distances from the south and west, sections that had no railroads at this time.

By 1890 to 1895 Wichita had become the greatest wagon wheat market in the United States. The wheat was brought in such quantities that unloading and shipping facilities were overtaxed. Grain elevators ran day and night and yet were unable to care for the streams of wheat poured in from the surrounding country. Old residents remember the time when lines of wheat wagons extending from the Douglas Avenue bridge to the Santa Fe tracks, a distance of ten blocks, were waiting to

unload. Many wagons had to stay an extra day before they could unload and start on the homeward trip.

With the increasing amount of wheat raised in southwestern Kansas railroads saw their opportunities in the way of freight earnings from the developing western farms. One after another built its lines, projecting in all directions, connecting the wheat belt with places to market the crops. The improved transportation facilities gave a new impetus to grain raising and soon changed vast prairies into fruitful farms. Thousands of acres of virgin soil were broken up for the raising of grain. The principal crop from the first was winter wheat.

Along the railroads sprang up numerous towns and shipping points and while the growth and settlement of the country contributed to the city's growth in many ways, it put an end to her distinction as a wagon wheat market. What happened was that Wichita was transformed from a country shipping point to a wholesale grain market. Instead of being dependent upon the trade of such territory as could reach it by country roads, it became a wholesale market commanding the trade of states.

While the establishment of new shipping points cost Wichita the wagon trade of the territory in which they were located, it began to handle the grain shipped by rail from these points and from many others, in all a territory much larger than originally controlled. ¹.

Where wheat was formerly handled by wagon loads, it now changed hands in carlots. And where formerly Wichita shipped most of its grain to other markets, it now became a consuming market itself for a large percentage of the wheat from the greater portion of Kansas and parts of Oklahoma, Texas, New Mexico and Colorado.

The production of grain has been accelerated since the early days by improved farm machinery, such as the steam and gas gang plow, the grain header, the self-binder, and, of late, the combine-harvester and thresher.

(b) Formation of the Board of Trade.

In 1903 the Wichita Board of Trade was organized. It was the first grain exchange to be formed in Kansas. A number of other cities followed later with the organization of boards of trade; as, Hutchinson in 1911, Salina in 1915, Topeka in 1917, Atchison in 1907, and Dodge City in 1923.

¹. W. F. McCullough, President of the Wichita Board of Trade, 1910. History of Sedgwick County, 1911, Vol. I.

There had formerly been a commercial organization in Wichita known by the same name which had been very effective in building up and promoting the growth of the city. The Board of Trade, however, was organized strictly as an association of grain dealers and for the grain trade, along the lines of similar organizations in other cities. It made no pretensions of strength at first, since every member realized that to build a grain market required years of persistent effort. The membership at the time of organization was fourteen. Several of these were not actively engaged in the grain business, but were able to give financial aid to the new enterprise. One or two of the non-active members were bankers who were willing to lend their influence in order to get the exchange established. The price of memberships was \$25 each, and as Mr. McCullough states in the History of Sedgwick County the question may well have entered into the minds of the members whether it was worth that amount.

(c) Growth of the Board of Trade.

It is necessary for everything to have a beginning, and this was the beginning of the grain organization of

Wichita. Its growth has been steady. It became necessary at the outset to meet the competition of older established markets. In this connection it was necessary to secure readjustment of discriminating freight rates and to impress upon the railroads the desirability for recognizing the Wichita Board of Trade as a market. The various drawbacks which a new market encounters lessened from year to year. In many cases the Interstate Commerce Commission gave substantial aid in removing adverse freight rates. Although there are some cases of readjustment still deemed necessary, the Board of Trade is now able to hold its own.

The membership of the Board was originally limited to fifty. In 1909 it was reported that all memberships were sold, and that practically all were in the hands of active grain buyers. Any person who wished to be admitted had to buy a membership direct from the owner. The price had by this time gone up to \$800. In 1910 it had advanced to \$1000. This increase in the price of membership is indicative of the growth of the enterprise.

The activities of the Board are responsible for the advancement of Wichita as a grain center. Prior to 1900 the city cut little figure as a grain market. In

1906, three years after the board had been organized, 10,875 cars of grain were handled by members of the Board; in 1907, 16,575 cars; in 1908, 24,326 cars; in 1909, 26,758 cars. Thus the carload receipts were more than doubled in three years. About three fourths of the grain handled was wheat.

The Wichita Board of Trade has maintained a healthy condition ever since its organization, has functioned in a very efficient manner, has built up a first-class reputable market for grain, and has handled an increasing amount of grain from time to time as shown on page 9 by the table of carlot receipts by calendar years since 1910.

According to statistics of wheat, corn and oats receipts for the crop year 1925-26 furnished by courtesy of the Kansas City Board of Trade, the Wichita market ranked sixth in importance in the entire United States. Cities ahead of Wichita in that year were Chicago with 168,672,000 bushels, Minneapolis with 158,550,000 bushels, Duluth with 96,918,000 bushels, St. Louis with 85,181,000 bushels, and Kansas City with 81,677,000 bushels. Wichita during the year received

20,306,000 bushels of wheat, corn and oats.

In taking the wheat receipts separately Wichita also ranked sixth for the same year. The order of the other cities, however, was slightly different. Arranged according to total wheat receipts they came as follows: Minneapolis with 112,467,000 bushels, Duluth with 69,993,000 bushels, Kansas City with 52,418,000 bushels, St. Louis with 29,757,000 bushels, Chicago with 26,033,000 bushels. Wichita received 17,551,000 bushels of wheat.

T A B L E 1

The development of the Wichita
Board of Trade by carlot receipts
of Grain from 1910 to 1926.

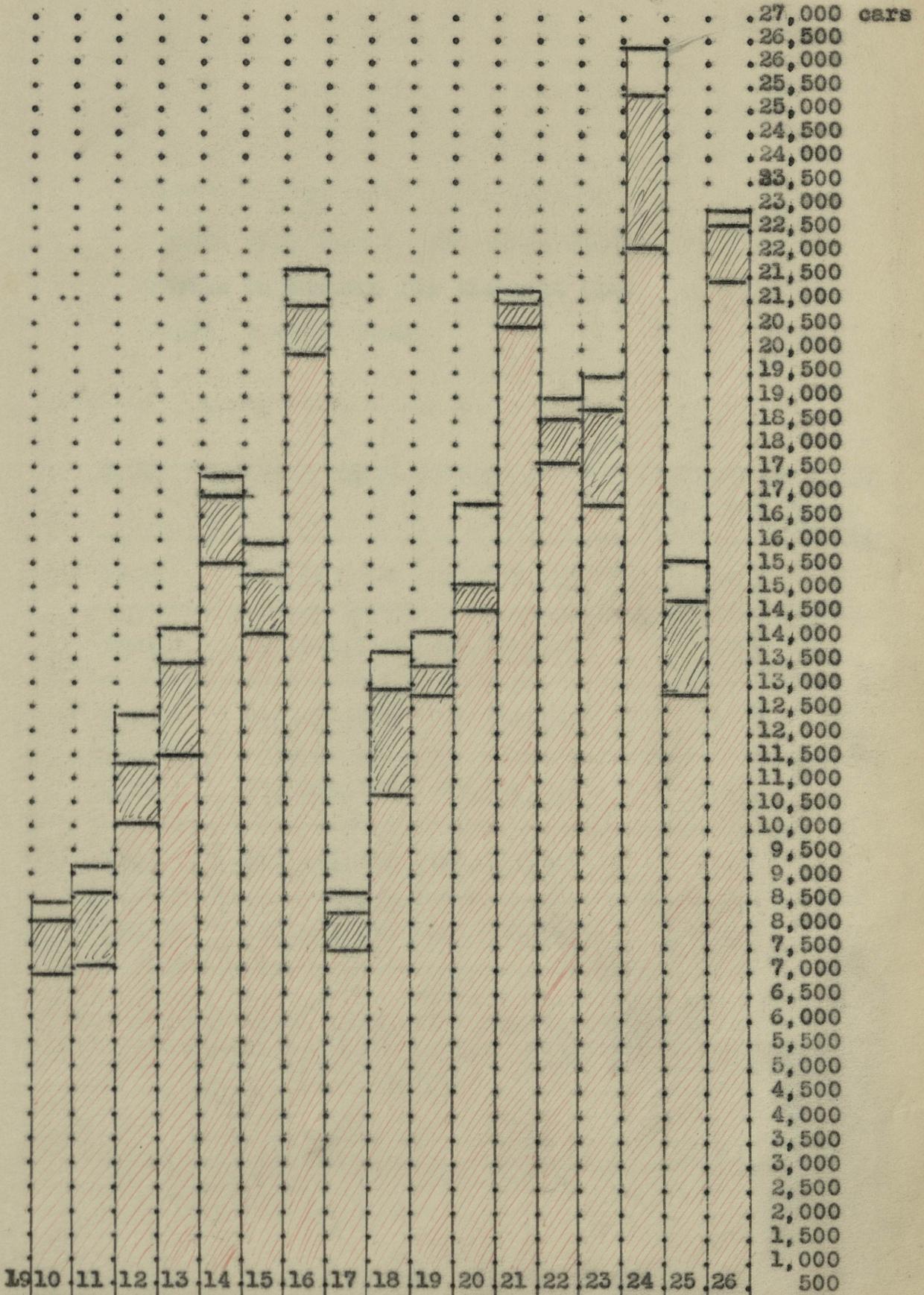
| <u>Year</u> | <u>Wheat</u> | <u>Corn</u> | <u>Oats</u> | <u>Rye</u> | <u>Cane</u> | <u>Kafir</u> | <u>Barley</u> | <u>Total</u> |
|-------------|--------------|-------------|-------------|------------|-------------|--------------|---------------|--------------|
| 1910 | 6874 | 1253 | 70 | 10 | 12 | 89 | .. | 8,308 |
| 1911 | 7086 | 1538 | 287 | 12 | 26 | 156 | .. | 9,105 |
| 1912 | 10022 | 1366 | 305 | 21 | 38 | 601 | .. | 12,353 |
| 1913 | 11502 | 1942 | 381 | 18 | 50 | 274 | 4 | 14,171 |
| 1914 | 15513 | 1458 | 291 | 25 | 38 | 46 | 6 | 17,377 |
| 1915 | 13953 | 1293 | 408 | 40 | 18 | 139 | 10 | 15,861 |
| 1916 | 19783 | 1209 | 305 | 44 | 8 | 195 | 15 | 21,559 |
| 1917 | 7300 | 823 | 390 | 18 | 5 | 27 | 34 | 8,597 |
| 1918 | 10684 | 2159 | 634 | 29 | 7 | 92 | 46 | 13,651 |
| 1919 | 12767 | 577 | 332 | 52 | 9 | 112 | 167 | 14,016 |
| 1920 | 14500 | 500 | 200 | 75 | 12 | 600 | 900 | 16,787 |
| 1921 | 20460 | 463 | 63 | 9 | 1 | 78 | 5 | 21,079 |
| 1922 | 17525 | 980 | 149 | 18 | 4 | 112 | 20 | 18,808 |
| 1923 | 16662 | 2008 | 426 | 7 | 14 | 82 | 222 | 19,421 |
| 1924 | 22036 | 3256 | 265 | 12 | 118 | 484 | 132 | 26,303 |
| 1925 | 12734 | 1899 | 350 | 2 | 98/ | 381 | 69 | 15,533 |
| 1926 | 21538 | 1158 | 176 | 3 | 37 | 140/ | 19 | 22,871 3. |

3. Statistics from records of the Wichita
Board of Trade by courtesy of C. B. Rader,
Executive Secretary.

/ 46 cars milo, 52 cars kafir.

// 29 cars milo, 111 cars kafir.

Wheat Corn All other grains.



Graph showing the development of the Wichita Board of Trade by carlot receipts of all grains from 1910 to 1926.

T A B L E 2

Comparison of wheat production of Kansas with that of the whole United States in bushels for the last five years, 1922 to 1926.

| Year | United States | Kansas | Per cent of total wheat raised in the United States. |
|---------|---------------|-------------|--|
| 1922 | 867,598,000 | 122,861,000 | 14.1 |
| 1923 | 797,394,000 | 83,804,000 | 10.5 |
| 1924 | 864,428,000 | 159,964,000 | 18.5 |
| 1925 | 676,429,000 | 77,388,000 | 11.4 |
| 1926 | 832,305,000 | 150,084,000 | 18.03 |
| Average | 807,631,000 | 118,820,000 | 14.7 |

4.

The table indicates that the State of Kansas produces almost 15% of the total amount of wheat raised within the United States.

4. Statistics from Government Crop Reports, Washington, D. C.

T A B L E 3

Comparison of the amount of wheat raised within the Wichita Buying Area with the total amount raised in the United States. 1922 to 1926.

| Year | United States total wheat production. | Wheat production of the Wichita Buying Area. | Per cent of total amount raised in the United States. |
|---------|---------------------------------------|--|---|
| 1922 | 867,598,000bu. | 186,829,000bu. | 21.5 |
| 1923 | 797,394,000 | 157,696,000 | 19.8 |
| 1924 | 864,428,000 | 266,730,000 | 30.8 |
| 1925 | 676,429,000 | 126,275,000 | 18.6 |
| 1926 | 832,305,000 | 280,730,000 | 33.7 |
| Average | 807,631,000 | 203,652,000 | 25.0 |

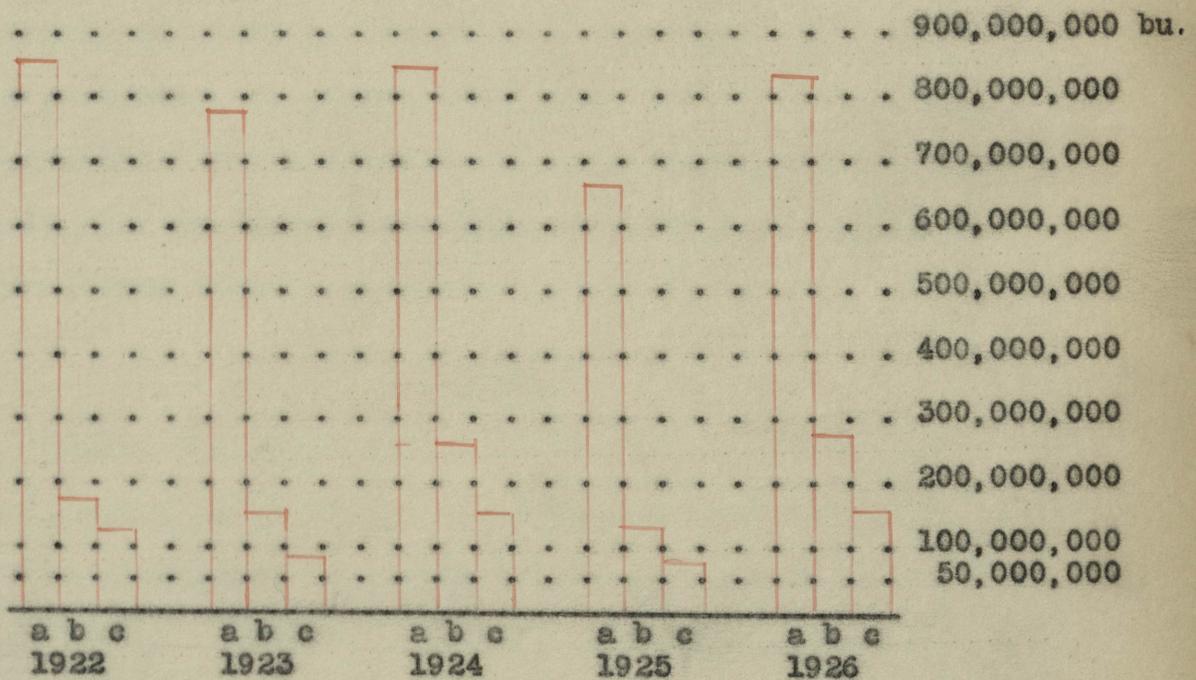
The Wichita buying area draws grain from Kansas, Oklahoma, Texas, Colorado, and New Mexico. The table shows that this area produces more than 25% of the total amount of wheat raised in the United States. This fact accounts for Wichita's position among the largest wheat markets of the world.

G R A P H 2

Comparison of wheat production of the
last five years

(a) in the United States
with (b) the Wichita buying area (Ks.Okl.Tex.Col.N.M.)
and (c) Kansas alone.

1922 to 1926



(d) Objects, Membership and Government of the Board of Trade.

"The objects of this association are: To maintain a Board of Trade; to promote uniformity in the customs and usages of merchants; to inculcate principles of justice and equity in business; to facilitate the speedy adjustment of business disputes; to inspire confidence in the business methods and integrity of the association and the parties thereto; to collect and disseminate valuable commercial and economic information; and generally, to secure to its members the benefits of cooperation in the furtherance of their legitimate pursuits, and to promote the general welfare of the grain and milling industries at Wichita." 5.

MEMBERSHIP.

Unlike the organization of 1903, whose membership was limited to fifty, the membership of the association now is unlimited. Any male person of good character, of legal age, and worth at least \$5,000, fee, and qualifications after subjecting himself to an examination as to his personal, moral and financial responsibility, and upon the payment of the \$10,000 membership fee, may be admitted to membership upon the approval

5. Constitution and By-Laws of the Wichita Board of Trade as of May 12, 1926, page 5.

of two-thirds vote of those members of the board of directors present.

Inactive (authorized and unissued) memberships are exempt from dues or assessments and carry no privileges whatsoever until transferred or put into active use.

The membership of a deceased member is transferable. His legal representative may, upon the payment of \$50, assign it to another member of the firm of which the deceased was a member. In case the transferee does not

Deceased remain continuously a member of the asso-
memberships ciation and a member or employee of the
transferable firm or corporation which he represents,
and such severance takes place within three months from date of election into membership of the Board of Trade, the regular transfer charge of \$100 applies and the additional \$50 becomes due immediately and forms a lien upon the membership.

Represent No member can give membership privileges
one firm to more than one firm or corporation. But
only any person belonging to the association
may own more than one membership. No member can represent two or more firms or corporations.

GOVERNMENT.

The government of the Wichita Board of Trade is vested in a president, a vice-president, and a board of directors. The board of directors consists of eight members, a secretary and a treasurer, all of whom must be residents of Wichita, Kansas. The president as well as the vice-president are ex-officio members of the board of directors. Both have voting power, but the president votes only in case of a tie vote. The president, vice-president, secretary and the treasurer hold office for one year; the directors continue in office for two years. The president, vice-president and directors are chosen by ballot of the members. The board of directors elects a secretary-treasurer from its own group.

Only qualified members for directors In order to be eligible for the office of director a person must have been a member of good standing in the association for at least a year. Four directors are elected annually.

Election time and place During the hours from 11:00 o'clock A. M. to 1:00 o'clock P. M. on the second Tuesday in May of each year the polls are open in the

association rooms in Wichita for the election of officers and the board of directors. No member has more than one vote on any issue at any meeting of the association, although he may hold two or more memberships. Voting by proxy is not permitted.

THE BOARD OF DIRECTORS.

Soon after their annual election the board of directors appoints the following committees:

Auditing Committee
 Arbitration Committee
 Appeals Committee
 Transportation Committee
 Weights and Inspections Committee
 Rules and Regulations Committee
 Complaint Committee

Other committees are added as needed by the association.

All cases of complaint against a member of the association are referred to the board of directors for a hearing. They determine whether the accused is guilty

of violating the constitution, by-laws
 Directors try all cases of complaint or rules and regulations. In case of delinquency, it is within their power to

inflict the appropriate penalty. The directors also determine all applications for relief from penalties, but a majority vote of a quorum by ballot at a regular

meeting is necessary to suspend or reinstate a member.

Directors In the absence of the president and the
elect pre- vice-president, the board of directors
siding of-
ficer. Make
trade regu- have the power to elect a presiding of-
lations ficer. They levy assessments upon the
members of the association to defray expenses, estab-
lish the time and place for trading, and provide regu-
lations governing the same. Any person guilty of
irregular trading may be fined, suspended or expelled.

Look after The directors provide for the collection
collection of
revenues, pay- of the revenues and for the payment of
ment of expen- legitimate ordinary expenses, cause the
ses rooms to be opened for the admission of
members during business hours, and look after the en-
forcement of rules on the trading floor.

The board of directors also has the power to employ
legal counsel when needed, regulate commissions on the
trading floor, require bonds of the executive secretary
and the secretary-treasurer, and to make
Legal
counsel.
Bonds requirements in regard to the ownership
of property of the association. Any plan formulated
in regard to the holding or owning of property must be
ratified by a two-thirds majority vote of the members

of the association. The directors must announce all appointments of a public nature that they, as a body, make.

OFFICERS.

The president performs the duties of executive nature. He presides at the meetings of the board of directors, calls special meetings of either the directors
 Presi- or of the association when necessary, or
 dent when requested in writing by four members of the board of directors, or seven members of the association. He appoints the membership committee who hold office only as long as he may desire.

Vice- The vice-president performs the duties
 president of the president in case of the latter's absence, disability or refusal to act.

It is the duty of the executive secretary to look after all correspondence and records of the association. He is under the direction and control of the board of
 Executive directors, keeps a journal of all pro-
 secretary ceedings and collects and pays over to the treasurer all money due the association. He keeps the seal, books, papers and personal property of the association. It is his duty to notify members of all

assessments levied, and when they are payable.

The executive secretary of the Wichita Board of Trade performs another very important function: It is that of traffic commissioner. He has to watch general traffic conditions, both as regards freight rates and car service. If rates are unjust, it is his duty to take steps to correct them. In case of car shortage, he and the other members of the special traffic committee get in touch with the railroad officials in an effort to alleviate the trouble.

The secretary-treasurer of the board of directors receives from the executive secretary all funds belonging to the association. No money can be paid out, however, unless ordered by the board of directors, and countersigned by the president and the executive secretary. The secretary-treasurer makes a report to the board of directors every six months, or at any other time on request.

COMMITTEES.

The complaint committee investigates any rumor or report that may be brought against a member of the association. If the report appears to be well founded, the matter is referred

to the board of directors for trial. No party is allowed to be represented by professional counsel.

Auditing committee The duty of the auditing committee is to inspect all books of the association.

This is done at the end of each current year, or when otherwise directed by the directors.

Arbitration committee The arbitration committee, which is composed of three members, hears and determines all disputes of a financial, mercantile or commercial character arising among members, or members and others, from any matter referred to in the constitution, by-laws, or rules and regulations.

Appeals committee The committee on appeals acts on cases brought to it from the decision of the committee of arbitration. It is composed of five members.

Transportation committee The duties of the transportation committee are to have charge, under the directors, of all matters pertaining to freight rates, transportation, terminal facilities, and kindred affairs. They consider all complaints made by members against the transportation companies. In case of necessity, they may, with the consent of the directors, employ legal counsel and bring to trial any matter the

decision of which would be to the interest and value of the Board of Trade.

Membership committee The membership committee passes on all applications for membership, and through the president makes recommendations to the board of directors.

Rules and regulations committee The rules and regulations committee formulates and recommends to the board of directors such changes and revisions of the constitution, by-laws, and rules, as it may think would contribute to the good of the organization. ^{6.}

6. Constitution, By-Laws, Rules and Regulations of the Wichita Board of Trade as of May 12, 1926.

SECTION II

TRADING OPERATIONS.

(a) Types of Sales.

On the seventh floor of the Wheeler, Kelly and Hagny Building, in the rooms of the Board of Trade, in the midst of the ticking of telegraph instruments, and before a large blackboard upon which the fluctuations of the world's grain markets are posted immediately upon receipt, is found a group of deeply interested business men. They are commission men, mill buyers and grain brokers interested in the reports on grain, primarily of wheat.

Wichita is strictly a cash wheat market and not a speculative market. It deals only in the actual wheat, which is shown by samples in trays in the trading room. The buyer gets the actual wheat in a car down on the tracks, or "to arrive," and he buys it for milling purposes in Wichita or for shipping to other large milling centers. Every trader is particularly careful in examining the samples in order to form correct estimates of their milling value.

Along the various railroads in the smaller towns in the wheat belt are located elevators that buy grain from the farmers, quoting a price based upon that of Kansas City, Chicago, St. Louis or Minneapolis. These elevators

load cars and send them to Wichita "on consignment" to some commission man who is a member of the Board of Trade. To the bills of lading the shippers attach sight drafts ranging from 75% to 90% value of the carlots. The drafts give the elevators immediate credit at their local banks, which enables them to pay the farmers. In many cases the local elevators also sell by the "grain to arrive" method, which means that the grain is actually purchased before it is started to market. The draft on the buyer at the market, of course, cannot be made until the grain is actually in the hands of the carrier.

The wheat arrives in Wichita and is sidetracked. Upon its arrival the state inspection men take five probes from each car, each sample being taken in a different part of the car. The samples from each car are put in a mixing machine, thoroughly stirred, and out of this mixture comes a smaller sample which is representative of the whole carload. The state government maintains an inspection laboratory which furnishes correct grain analyses for the Wichita market. It

supervises the inspection, grading and determining of moisture content of the grain, and furnishes a correct protein analysis of each car of wheat received. The quality of all wheat sold on the Wichita Board of Trade is thus tested. The combined inspection and laboratory force numbers from fifteen to twenty persons.

"With these modern scientific methods of inspection and protein determination, the price margin for error is practically eliminated and each buyer is safe in bidding up to within a fraction of a cent of the actual milling value.

'From the standpoint of the members of the Board of Trade,' says Executive Secretary C. B. Rader, 'it is to their advantage to pay the best possible prices. If the elevator man at a country point finds that he is not getting a good price, he hunts up somebody else and the first man loses the business. That is why there is always spirited bidding, as you can see on the floor all the time. It is also felt very keenly that Wichita must keep up the general price as a bid against Kansas City, Chicago and other markets. Every member of the Board of Trade is of course interested in seeing Wichita get the volume of wheat, so they all encourage the payment of the highest possible market price. This is the farmer's market, not

the speculator's market." 1.

The Wichita Board of Trade also disseminates market quotations by means of radio for the guidance of farmers and country elevators in selling their products.

A Cash Market.

As noted before the Wichita market is strictly a cash market. Hedges and futures are not handled here. Any firm or member desiring to make use of hedging or to buy and sell wheat futures must turn to another market, such as Chicago or Kansas City, where futures are handled. About 75% of all sales are "spot stuff" that is, grain which is at the time of sale on the tracks within the city limits of Wichita. About 25% of the grain is bought "to arrive." This is done for the purpose of accomodating the country elevators, as well as the buyer who may wish to assure himself of a given price and a certain amount of grain and feel free to buy or sell in accordance. Although "to arrive" buying is not called hedging, nevertheless it provides a certain degree of short time protection in most cases.

The millers at Wichita, being located at the door of the largest winter wheat belt in the United States, do not find it necessary to hedge their wheat purchases with wheat futures for the purpose of protecting their

1. Elmer Peterson. An article in the Sunday Magazine of the Wichita Beacon, February, 1926.

supply for milling use. They only use hedging in connection with flour sales. Contracts to deliver flour in quantities are hedged by wheat purchases to insure the supply and price of wheat. The large storing facilities of the mills enable them to buy the best grain at the time when it can be secured most easily and to hold it for milling supply. Unlike eastern mills which buy their grain from day to day out of the pit for their milling needs and sell an equal amount of futures, the Wichita mills have sufficient storage capacity to hold a milling supply to last for six months or more.

The Wichita millers are not speculators in grain but rely for their profits upon the quality and sales of their mill products.

Relations with Country Elevators.

The country elevators selling their grain to Wichita are mostly independent operators. They buy and sell grain according to their own judgment and increase or decrease their profits according as they are able to forecast conditions intelligently from the study of market reports or from acting upon the advice of their brokers. While the members of the Board of Trade do not make long time advances of money to the country

operators, they do permit them to draw liberally against consignments. The drafts drawn on consignments serve to replenish the checking accounts of the country buyers in their local banks.

Some of the mills maintain their own country elevators. The Red Star Milling Company, for instance, operates some thirty line elevators in southwestern Kansas and northern Oklahoma, which buy wheat for the Wichita plant and are under the management of the same.

In addition to the above there are the farmers cooperative elevators which, as a rule, operate independently as local concerns, but maintain their representatives at the large grain markets through whom they sell their grain if they so desire. The farmers' cooperative elevators are also represented on the Wichita Board of Trade.

(b) Trading Terms.

Although there is a relation between the various grain markets, it still is necessary for each to state its trading terms clearly. The Wichita market has worked out terms to suit its trade.

The following rates of commission are charged on consignments sold on the Wichita market:

| | |
|--|---|
| WHEAT | { Commission on wheat is one per cent of the selling price, with a minimum of one and one half cents per bushel. |
| SHELLED CORN OATS RYE BARLEY | { Commission on corn, oats, rye and barley is one per cent of the selling price, with a minimum of one cent per bushel. |
| EAR CORN SNAP CORN | { Ear corn and snap corn is handled for one per cent of the selling price, with a minimum of two cents per bushel. |
| KAFIR CORN MILO MAIZE FETERITA SCREENINGS FLAXSEED ALL OTHER SEEDS | { The seeds are handled for one per cent of the selling price, with a minimum commission of two cents per hundred pounds. |

Commissions for buying and shipping grain of any description on order is not less than one cent per bushel.

Brokerage charge for buying grain for export is not less than 1/4 of a cent per bushel. Brokerage charge for buying or

selling grain on the floor of the association where principals are both members, is \$2.00 per car. In all transactions between members of the association, one half of the regular commission may be remitted.

On grain shipped to this market on consignment and later stored for shipper's account, a charge is made for the service of obtaining grades, paying freight, shipping, etc., of 1/2 cent per bushel. If the shipper later sells such grain through the firm originally handling the transaction a full consignment selling commission is charged for selling less the 1/2 cent per bushel service charge previously assessed. If such grain is later sold through any other member of the firm a full consignment selling commission is charged with no credit for the service charge.

Trading Rules.

When a trade is made through a broker, and both parties as named by the broker accept each other as principals, the trade is thereby consummated, the broker has performed his duty, and his brokerage becomes due.

On all shipments of incoming grain, seeds, or grain products, against which money has been advanced by a member of the association, and said member is instructed to turn over the grain, seeds, or grain products to another

person, or to divert the shipment to some other point, the same member must charge to the person to whom the advance is made as a remuneration for the service performed, one-half the minimum commission specified in the terms, together with interest on the money advanced at current rate from date of the advance until reimbursement.

The buying of in-bound grain "on track" at Wichita from resident or non-resident non-members is a violation of the commission rules. No grain may be applied on contracts for grain purchased "to arrive" that is on track in Wichita at the time of making the purchase.

When grain is bought by sample or grade or "to arrive" by a member from another member and the purchaser desires to call reinspection, he must notify the seller of his intentions to have the grain reinspected before the opening of the market of the next business day, so that in case the seller is dissatisfied with the reinspection he may exercise his right of appeal, which may be done by either buyer or seller. The purchaser violating this rule by failing to notify the seller before calling for reinspection must accept on the original inspection.

When grain is bought by sample or grade or "to arrive"

and the purchaser desires recheck of protein analysis, such purchaser must notify the seller before the opening of the market of the next business day of his intentions to call such recheck. If the protein analysis is lowered, the purchaser is entitled to receive the average market difference in price on the date of recheck. If the protein analysis is raised, the seller is entitled to receive the average market difference in price on the date of recheck or, by agreement between purchaser and seller, another car may be applied on the contract by the seller. A difference of $2/10$ of 1% or less in protein analysis is not considered a change in analysis.

With the legal transfer of a bill of lading the title to the contents of the car is also transferred to the holder thereof.

Deliveries on track sales for shipment is made by tender of invoice, inspection and weight certificates, accompanied by expense bill and order in writing for the grain or by bill of lading, invoice, inspection and weight certificates. All settlements are made on the basis of terms specified in the contracts.

Track grain purchased and ordered sent to elevators, mills, warehouses or team track, must be rejected by the purchaser within 24 hours after arrival as ordered. In

case the purchaser fails to reject within the specified time he must accept on the original inspection.

Track grain purchased by a member from another member on Wichita inspection and ordered shipped to a destination outside of the jurisdiction of the Wichita inspection department, must be rejected by the purchaser before the grain leaves the Wichita jurisdiction or he must accept on the original inspection.

On sales of track grain made on the trading floor a "car" is deemed to mean what such car contains and the seller must protect the purchaser on the minimum freight charges as assessed by the carriers. In case the seller disposes of a "clean-up" car, he must make this known to the purchaser at the time of sale.

No tender of grain sold on grade is considered regular after 48 hours from the time of the official inspection of said grain.

The official samples covering shipments applied on contracts for grain purchased to arrive must be delivered to the buyer prior to market opening the next market day following official inspection, otherwise the seller must pay demurrage and reconsignment charges, if any.

In all transactions where the amount of grain is specified in the number of cars, a "car" is considered as follows: Wheat, 1250 bushels; corn, kaffir corn or rye, 1100 bushels; oats, 1400 bushels. However the term "capacity" car is construed to mean a car of any size, if loaded to marked capacity.

All switching within the railroad switching limits of the city of Wichita are to be paid by the buyer, unless agreement to the contrary is made between the seller and the buyer.

The reconsignment charge on a spot shipment of grain bought or sold on grade or sample assessed by the railway companies must be paid by the seller, and if a consignment the charge of reconsigning is made to the shipper.

When a seller gives notice to the buyer by telegram or letter that a contract will not be completed, it is the buyer's option to cancel the contract, buy in the grain for account of the seller, charging loss, if any, to the seller, or establish loss, if any, based on the difference between contract price and the market price on the date of notice of default received by the buyer.

When a buyer gives notice to the seller by telegram or letter that a contract will not be completed, an actual

tender of the grain by the seller is not necessary, and it is the seller's option to cancel the contract, sell the grain for account of the buyer, charging loss, if any, to the buyer, or establish loss, if any, based on the difference between contract price and the market price on the date of notice of default received by the seller.

On all trades between members of the association the purchaser is to deliver account sales, with proper papers attached, to the seller within thirty days after the unloading of the grain at points within the state of Kansas and within forty days after the unloading of the grain at points outside of the state of Kansas.

Grain bought and sold by sample and grade "as is", is not subject to re-inspection.

The party in possession of the necessary papers for filing a loss or damage claim against the railroad company, which refuses to deliver such papers to other interested parties, is responsible for any loss or damage that may come out of the claim. The party not in possession of the papers must file a preliminary claim for the "account of whom it may concern."

The seller is liable for any demurrage and for

additional charges accruing on grain billed to shipper's order when such charges can be shown to have accrued by reason of the inability of the buyer to get possession of the bill of lading, when the latter is necessary to furnish disposition of shipment.

The refusal of a buyer to pay a draft because the only evidence of weight and grade available indicates that the seller is making an overdraft on the car in question has no bearing on the obligation of the seller to complete the contract.

Unless otherwise agreed in the contract of purchase and sale, freight is charged to the seller on the dockage and for underload to the first unloading point.

All sales by sample of in-bound track grain, seeds, or mill feed made on the Board of Trade floor between members during trading hours must be reported in writing to the executive secretary by the member of the association making the sale within fifteen minutes after the sale is made. Only sales reported are considered to be transacted on the board of trade floor. 2.

2. Constitution and By-Laws of the Wichita Board of Trade as of May 12, 1926.

SECTION III

THE WICHITA MILLS AND ELEVATORS.

(a) The Elevators

The development of the Wichita grain elevators practically parallels that of the flour mills. In proportion as the capacity of the mills was increased, in that proportion also storage room for grain was added by the mills. The elevator room outside of the mills has always been but a small percentage of the whole. Prior to 1917 it never exceeded 20% of the total storage capacity. The movement of the grain has not required the elevators to provide for more storage as it came in in quantities regular enough to permit the shipping of grain to other points and thus make room for more. Most of the grain handled by the board of trade has never been unloaded at Wichita, but has simply changed hands in carload lots, and has been sent on to its destination.

Present Status.

A new situation, however, has arisen with the extended use of the "combine" harvester and thresher in the south central states. Due to the use of this machine the great bulk of the grain is harvested and

threshed in a comparatively short time, thus flooding the transportation and elevator facilities. Much of the grain coming in from the "combines" has to be dried and cleaned before it can be sent on to distant markets. The large grain markets in coping with the situation have had to provide increased storage to care for the wheat as it pours in from the surrounding market territory.

In response to the conditions created by an intensified harvesting season the Wichita Terminal Elevator Company was organized in 1917. The chief promoter of this corporation is L. H. Powell, President, and leading grain buyer at Wichita. The firm supplies vast fireproof storage and furnishes grain handling accommodations at regular rates to any buyers of grain. This elevator alone, today, has a capacity of 2,000,000 bushels, can unload grain at the rate of 100 cars a day, and can handle for mixing, cleaning and other purposes 125,000 bushels every 24 hours.

The firm not only furnishes storage room, but buys wheat outright or lends money on grain left in its custody. The plant is considered to be one of the most efficient of its kind. It is interesting to note that during 1926 it handled cars so promptly that it paid no demurrage charges whatever.

Schedule of Storage and Handling Charges
of the Wichita Terminal Elevator Company,
effective June 15th, 1926.

(Storage strictly fireproof)

Storage charge:

Per month 1¢ per bu.
Or 1/30 of 1¢ per bu. per day.

Handling charges:

Unloading and loading out grain
and field seeds 1, 1/8¢ per bu.
This charge includes insurance for
a period of 30 days.

Other charges:

Direct transferring of grain 3/4¢ per bu.
Running for the purpose of
keeping in condition 1/4¢ per bu.
Clipping 1¢ per bu.
Clipping and cleaning 1, 1/2¢ per bu.
Running the grain over the
separator for cleaning purposes 1/2¢ per bu.
Separating the grain 1¢ per bu.
This charge is from 1¢ cent up, depend-
ing on the time required for
separation.
Mixing direct from the bins to car . . 1/4¢ per bu.
Running and mixing from bins
to storage 3/8¢ per bu.
Drying 2, 1/2¢ per bu.
This charge is from 2, 1/2 cents up,
depending on amount of moisture
in the grain.
Sacking in even weight sacks 1¢ per bu.
The owner of the grain furnishes the
sacks, or the elevator company fur-
nishes them at actual cost.
Unloading or loading bulkhead cars . . \$5.00 additional.

Insurance after the first 30 days:

After the expiration of the first 30 days the company makes a charge of 40¢ per thousand bushels per month for insurance against fire, explosions, lightning and tornado.

Rules governing storage and shrinkage:

The company reserves the right to store grain of different ownership in the same bin provided the grade and the proteins are the same.

All natural shrinkage must be borne by the owner. On lots of grain of different ownership stored in the same bin an arbitrary shrinkage is made. The amount of shrinkage made depends on the quality of the grain and the length of the time stored. Shrinkage in no instance is made to exceed 1/2 of 1 per cent for a period of 6 months or less on merchantable grain.

The Wichita Terminal Elevator Company uses every effort to keep grain in condition, but does not assume the responsibility for deterioration or grain getting out of condition.¹

1. Statistics from a statement published by the Wichita Terminal Elevator Company, June 1926.

The total elevator storage capacity outside of the mills has reached 2,132,000 bushels, or 37% of the whole. Including the elevators of the mills, Wichita's grain storage room has increased 698% since the year 1907. The total capacity today stands at the figure of 7,857,000 bushels. The largest increase, or 3,710,000 bushels over that of 1922, has come within the last few years and is largely in response to the "combine" wheat rush. The graphs on the following pages show the growth of Wichita's total grain storage capacity.

According to figures presented at the recent rate case at Wichita, July, 1927, the leading grain-storage centers in the order of size are: Kansas City with 37,532,000 bushels, Omaha with 11,200,000 bushels, St. Louis with 10,535,500 bushels. Wichita comes next with 7,857,000 bushels.

T A B L E 4

The growth of the Wichita elevator capacity since 1907.

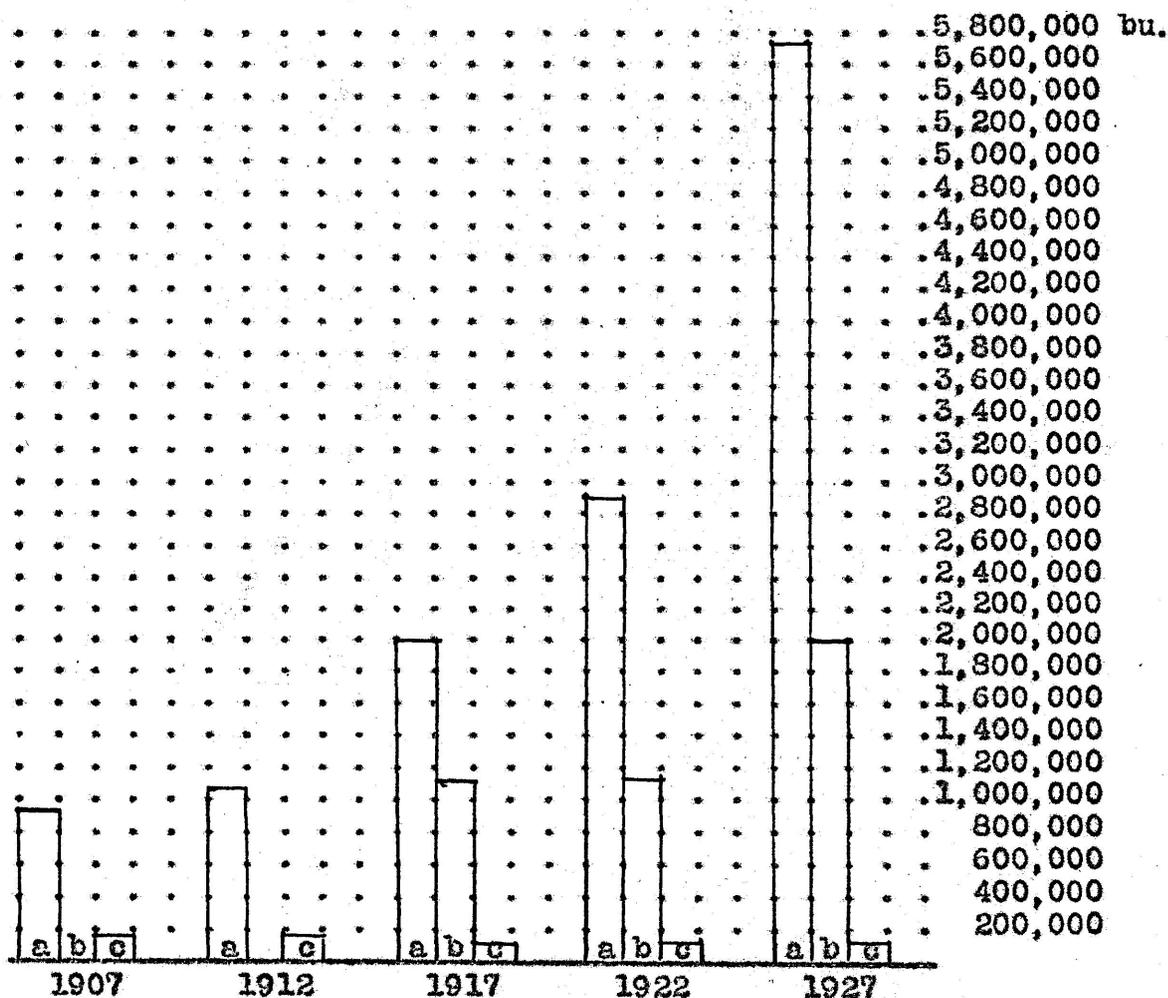
| Year | Firms | Elevator capacity in bushels |
|------|---------------------|---------------------------------|
| 1907 | Wichita mills | 945,000 |
| | " elevators | 180,000 |
| | Total | 1,125,000 |
| 1912 | Wichita mills | 1,095,000 |
| | " elevators | 190,000 |
| | Total | 1,285,000 |
| 1917 | Wichita mills | 2,000,000 |
| | " Terminal El. Co. | 1,125,000 |
| | All other elevators | 105,000 |
| | Total | 3,230,000 |
| 1922 | Wichita mills | 2,900,000 |
| | " Terminal El. Co. | 1,125,000 |
| | All other elevators | 122,000 |
| | Total | 4,147,000 |
| 1927 | Wichita mills | 5,725,000 |
| | " Terminal El. Co. | 2,000,000 |
| | All other elevators | 132,000 |
| | Total | 7,857,000 |

The storage capacity for 1927 is based on the following figures:

| | | |
|-------------------------|-----------|---------------|
| Red Star Milling Co. | 3,000,000 | bu. |
| Kansas Milling Co. | 1,650,000 | |
| Wichita Flour Mills Co. | 1,000,000 | |
| Com. Milling & El. Co. | 75,000 | 5,725,000 |
| Wichita Term. El. Co. | | 2,000,000 |
| Stevens Scott Grain Co. | 57,000 | |
| Craig Grain Co. | 50,000 | |
| Wallingford Grain Co. | 25,000 | 132,000 |
| Total | | 7,857,000 bu. |

G R A P H 3

The growth of the Wichita elevator storage capacity compared as between the mills, the Terminal Elevator Company, and all other elevators in the city, since 1907.

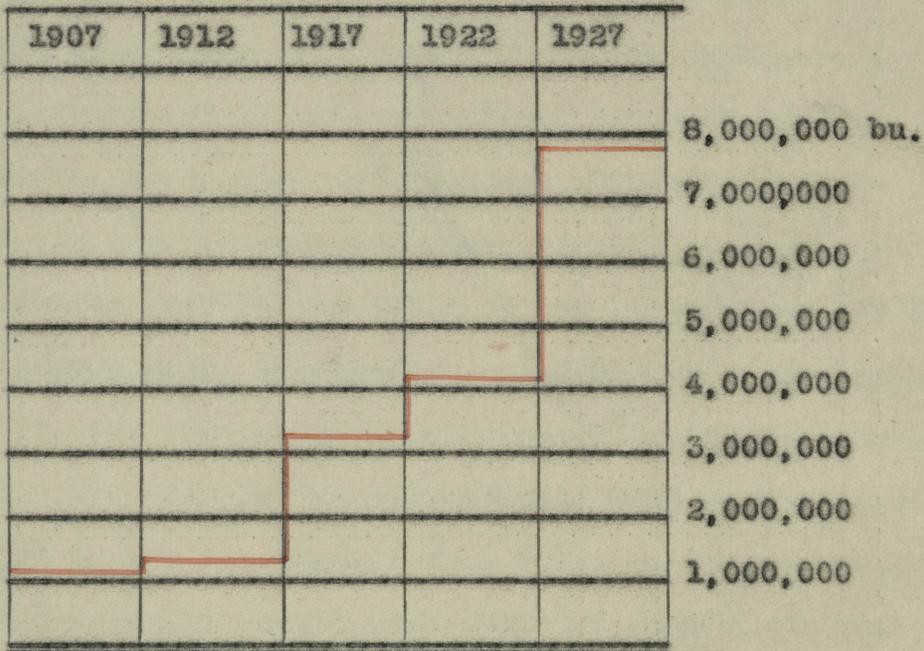


- (a) Storage of the Wichita mills.
- (b) Wichita Terminal Elevator Company.
- (c) All other elevators.

G R A P H 4

The growth of the total
Wichita elevator capacity
since 1907.

- - - - -



698 % increase in 20 years.

(b) The Mills.

In "An Illustrated Review" published of the city of Wichita in 1886 we find the following account of the milling industry:

"City Roller Mills - The 'milling interests' as it is called, constitutes one of the chief sources of revenue to the commerce of Wichita. Under the new order of things, the 'Queen City of the West' is rapidly forging to the front in this direction, and will one day become the most extensive 'milling city' in the New West. As a representative establishment in this line, the Wichita City Roller Mills is one of which any city should be proud. The business was founded as far back as 1874, and incorporated as a stock company ten years later. The mill building, including elevator, is the largest in the Southwest, being built of stone, and is three stories in height and 45 by 120 feet in dimensions. An engine of one hundred and ten horse power drives the best roller machinery now known, and the quality of the flour turned out is unsurpassed anywhere. The three leading brands are as follows: Imperial, high patent; Kettle Drum, patent; and Tally-ho, extra fancy, which have attained an enviable popularity for purity and excellence.....The Mill has a capacity of 300 barrels,

while the elevator has a capacity of 60,000 bushels.

A visit to the mill will convince strangers that Wichita has already made advances in the right direction, and that the future of the city will be secured and rendered brighter by other necessary and gigantic enterprises. The City Mills are among the sights of Wichita and will richly repay a visit."

The above account is of the old Oliver Imboden Mill, at that time the only one in Wichita. The last of this mill burned down in 1925 when the flour milling machinery of the Imperial Mills, now the Commerce Milling and Elevator Company, was totally destroyed by fire.

According to the Millers Almanac and Year Book, Wichita ranks fifth as a milling center in the United States. The cities ahead of Wichita are: Minneapolis with 80,990 barrels daily capacity; Buffalo, New York, with 38,725 barrels; Kansas City with 28,750 barrels; and Portland, Oregon, with a capacity of 11,200 barrels. Wichita's daily milling capacity today stands at 10,600 barrels.

The growth of Wichita as a milling center is a very important factor with reference to its grain market, for in proportion as Wichita becomes a consumer of grain

and exports flour, to that extent it will be able to hold its own against other grain markets and overcome adverse freight rates on wheat.

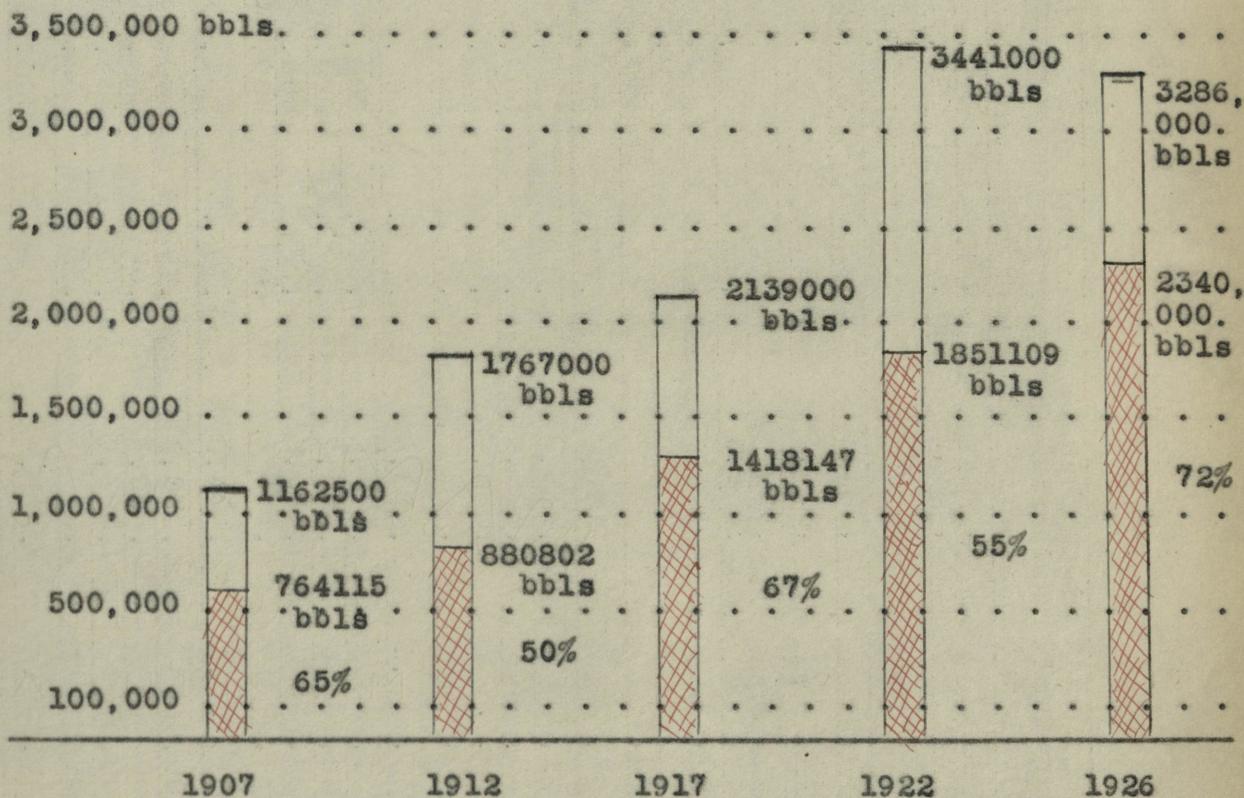
Beside selling its flour in almost every state in the Union, Wichita exports a great amount to Norway, Sweden, Germany, Holland, England, Scotland, Ireland, Finland, Denmark, Austria, Italy, Greece, Czechoslovakia, Africa, Central and South America, the West Indies and Mexico.

It is estimated that the Red Star Milling Company exports to foreign countries about 5% of its flour, the Kansas Milling Company exports about 30%, and the Wichita Flour Mills Company some 33%. The balance of the product is sold within the United States.

G R A P H 5

This graph shows to what per cent full capacity the mills of Wichita have operated during the time of their development. The results have been figured on the basis of 310 working days in the year. (365 less 52 Sundays and 3 holidays)

□ - indicates capacity in barrels. ▨ - actual amount of flour produced in barrels.

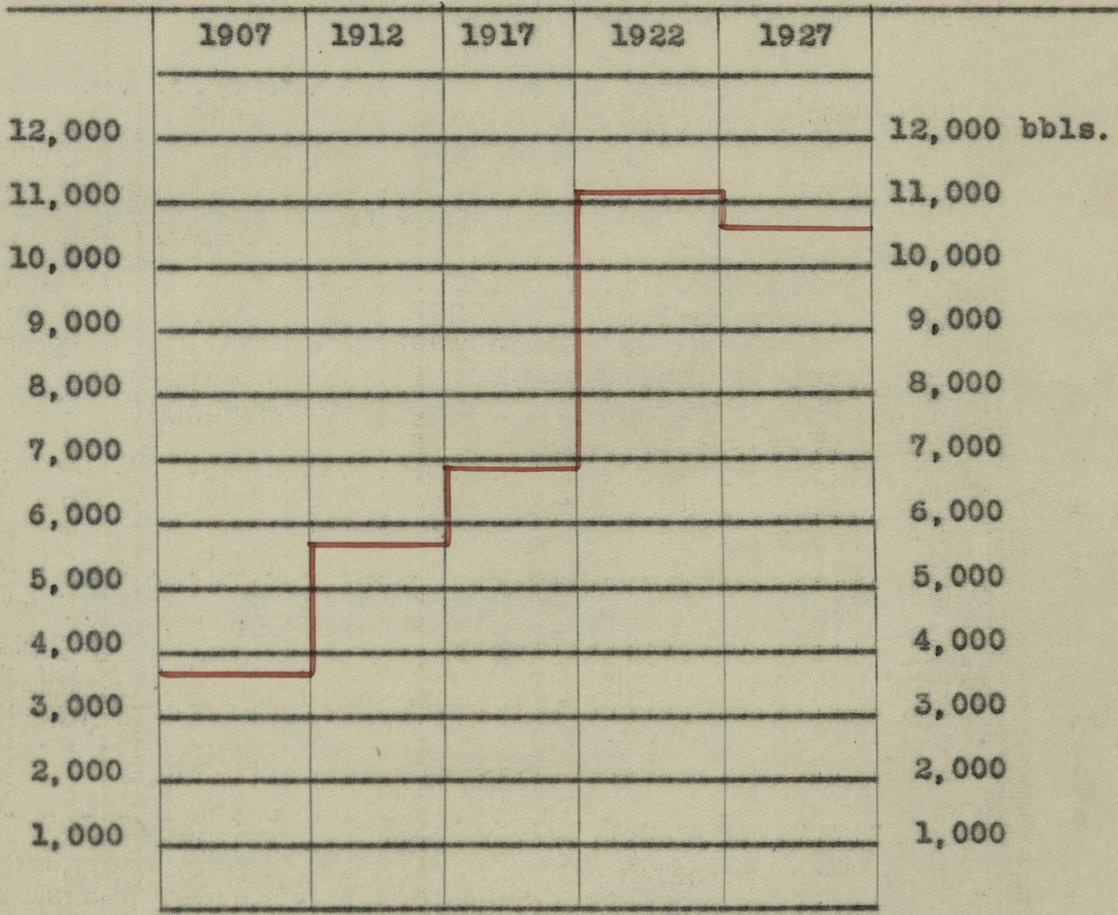


Development of Wichita Flour Mills during the last 20 years
by periods of 5 years.

| Name of Mill | Milling capacity in bbls. | Grain storage capacity bu. | Invested \$ capital | Annual grain consumption in bushels | Annual flour production (bbls) | Amount of gross annual business \$ | |
|----------------------------|---------------------------|----------------------------|---------------------|-------------------------------------|--------------------------------|------------------------------------|------------|
| 1907 | Red Star Mill. Co. | 650 | 60,000 | 75,522 | 385,319 | 87,115 | 479,130. |
| Kans. Mill. Co. | 1500 | 650,000 | 150,000 | 1,700,000 | 377,000 | \$2,000,000. | |
| Howard Mill. Co. | 300 | 70,000 est | | | | | |
| (Imboden) Com. Mill. | 300 | 75,000 | | | | | |
| Watson Mill. Co. | 1000 | 90,000 | 50,000 | 1,125,000 | 250,000 | \$1,250,000. | |
| T o t a l s | 3,750 | 945,000 | 275,522 | 3,210,319 | 714,115 | \$3,729,130. | |
| 1912 | Red Star Mill. Co. | 2400 | 175,000 | 257,437 | 1,044,626 | 220,802 | 1,254,100. |
| Kans. Mill. Co. | 1700 | 650,000 | 200,000 | 1,750,000 | 390,000 | 2,500,000. | |
| Wich. Fl. Mills Co. (1914) | 1000 | 125,000 | 250,000 | 1,000,000 | 220,000 | 1,848,000. | |
| (Imboden) Com. Mill. | 300 | 75,000 | | | | | |
| Howard Mill. Co. | 300 | 70,000 est | | | 50,000 est | | |
| T o t a l s | 5,700 | 1,095,000 | 707,437 | 3,794,626 | 880,802 | \$5,602,100. | |
| 1917 | Red Star Mill. Co. | 2400 | 1,000,000 | 882,411 | 2,407,142 | 509,147 | 4,666,102 |
| Kans. Mill. Co. | 1700 | 650,000 | 500,000 | 2,000,000 | 445,000 | 3,700,000 | |
| Wich. Fl. Mills Co. | 2500 | 275,000 | 750,000 | 2,000,000 | 440,000 | 3,696,000 | |
| (Imboden) Com. Mill. | 300 | 75,000 | 45,000 | 250,000 | 24,000 | | |
| T o t a l s | 6,900 | 2,000,000 | 2,177,411 | 6,657,142 | 1,418,147 | \$12,062,102. | |
| 1922 | Red Star Mill. Co. | 4600 | 1,500,000 | 2,438,949 | 2,984,930 | 643,109 | 5,201,303 |
| Kans. Mill. Co. | 3400 | 650,000 | 1,125,000 | 3,000,000 | 667,000 | 5,000,000 | |
| Wich. Fl. Mills Co. | 2500 | 675,000 | 750,000 | 2,000,000 | 445,000 | 3,742,000 | |
| (Imperial) Com. Mill. | 600 | 75,000 | 80,000 | 480,000 | 96,000 | | |
| T o t a l s | 11,100 | 2,900,000 | 4,393,949 | 8,464,930 | 1,851,109 | \$13,943,303 | |
| 1926 | Red Star Mill. Co. | 4600 | 3,000,000 | 2,572,000 | 4,050,000 | 900,000 | 7,920,000 |
| Kans. Mill. Co. | 3500 | 1,650,000 | 1,750,000 | 4,000,000 | 890,000 | 6,500,000 | |
| Wich. Fl. Mills Co. | 2500 | 1,000,000 | 1,500,000 | 2,500,000 | 550,000 | 4,140,000 | |
| Commerce Mill. Co. | none | 75,000 | 35,000 | 4,000 | 700 | wh. wht. & graham | |
| T o t a l s | 10,600 | 5,725,000 | 5,847,000 | 10,554,000 | 2,340,700 | \$18,560,000 | |

T A B L E 5

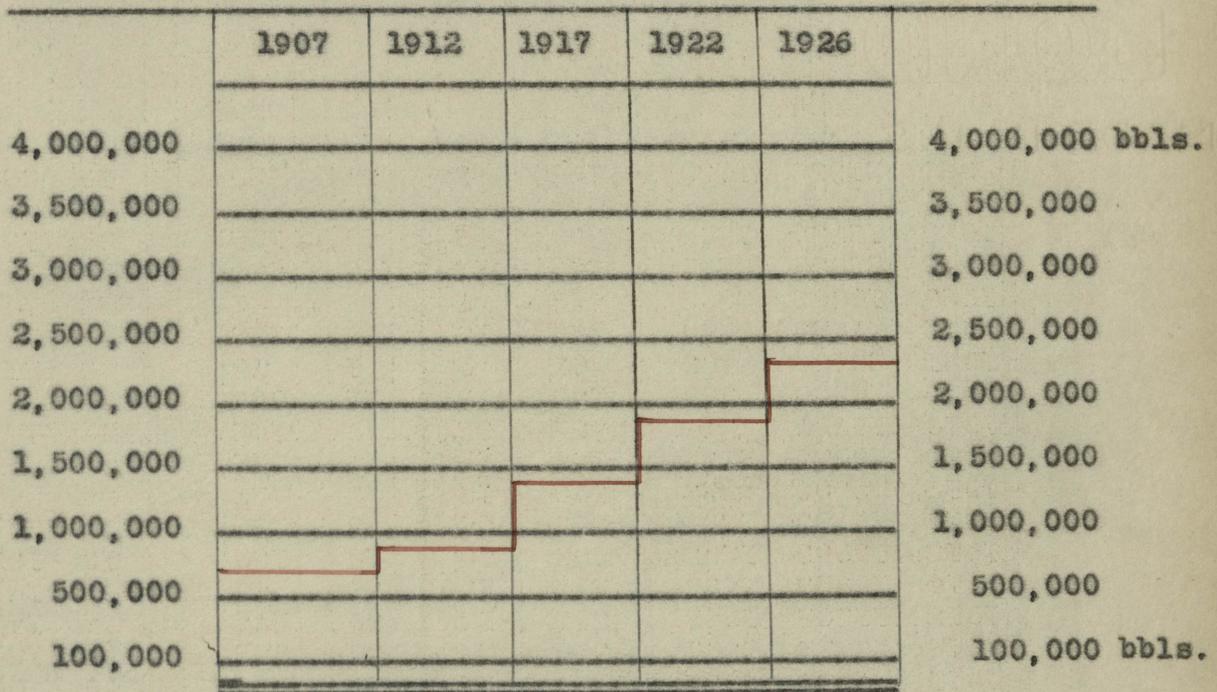
G R A P H 6
 showing the growth
 of the
 Wichita daily milling capacity during the
 last 20 years by periods of 5 years, in
 barrels. 1907 to 1927.



286 % increase in 20 years.

| | | | |
|-----------------|---------|--------|---|
| Barrel capacity | 1907... | 3,750 | |
| | 1912... | 5,700 | |
| | 1917... | 6,900 | |
| | 1922... | 11,100 | |
| | 1927... | 10,600 | (one mill destroyed by fire in 1925) |

G R A P H 7
 showing the growth
 during the last 20 years by periods
 of 5 years, of Wichita Flour production,
 in barrels, 1907 to 1927.



306 % increase in 20 years.

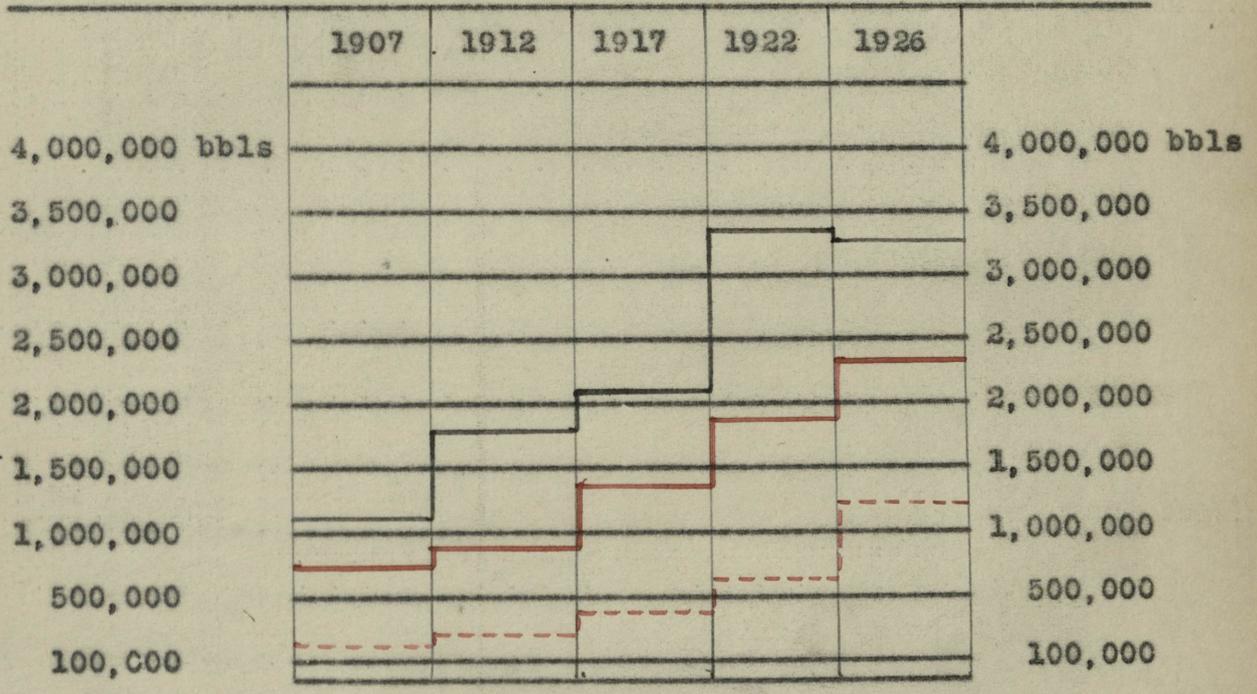
| | | |
|--------------------------------|-----------|-------|
| Total flour production 1907... | 764,115 | bbls. |
| 1912... | 880,802 | " |
| 1917... | 1,418,147 | " |
| 1922... | 1,851,109 | " |
| 1926... | 2,340,700 | " |

GRAPH 8

Showing the growth of Wichita's

- annual (a) milling capacity _____
- (b) flour production _____
- (c) grain storage capacity of the mills - - - - -

(All figured in barrels. Grain storage figured 4.5 bushels to the barrel)



- - - - -

THE RED STAR MILLING COMPANY.

The history of the Red Star Milling Company at its beginning really includes that of two mills. In 1902 W. R. Watson and Dudley Watson moved their plant from Jersey City, N. J. and Wichita profited by an addition of a 1,000 barrel flour mill. The Watson mill soon became known "in the trade". Before many years had passed Wichita became a place of importance in the growing milling industry of the Southwest.

In 1905 a group of Wichita business men, in order to conduct a milling and grain merchandising business, organized the Red Star Milling and Elevator Company. They erected in Wichita an elevator of 60,000 bushels capacity and a 350 barrel flour mill. This mill constitutes the first unit of the present company's mill and is known as "Mill A".

The venture was operated with indifferent success until 1908 when the directors selected as manager Mr. L. R. Hurd, who later became president of the company. Under Mr. Hurd's administration with the cooperation of his staff the "quality ideal" was strictly adhered to which is responsible for the success of the institution. The number of mills owned and operated in Wichita has increased from one to three.

In the year 1911 the Watson mill was acquired through purchase by the Red Star Milling Company, thus adding a 1,000 barrel plant to its capacity, and as the second unit of the organization it was designated "Mill B".

In addition to improving and remodelling "Mill A" and changing it to a 650 barrel unit in the course of years, the Company built in 1920-21 a new "daylight" mill which represents the best and latest machinery in the art of milling flour. The new plant, known as "Mill C", added 2,200 barrels milling capacity, and over a million bushels of grain storage room. This unit was built with space and equipment that will permit the doubling of its output as soon as business requirements may demand.

Thus the capacity of the Red Star Milling Company has grown from 350 barrels in 1905 to 4,600 barrels in 1927, and the grain storage room has increased from 60,000 bushels to 3,000,000. The present capital investment is \$2,572,000 and the annual business amounts to over \$7,920,000. All this is due to steadfast adherence to the policy that Red Star flours must be leaders in quality.

T A B L E 6

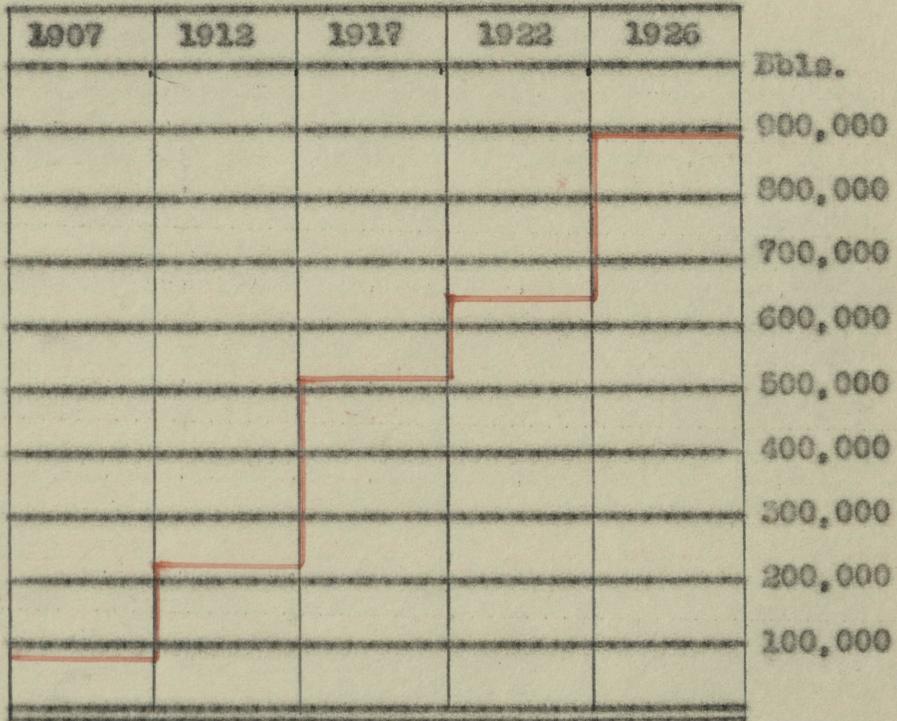
The development of the Red
Star Milling Company during
the last 20 years.

| Year | Milling capacity in bbls. | Grain storage capacity bush. | Invested \$ capital | Annual grain consumption bu. | Annual flour (bbls) production | Gross \$ annual business |
|------|---------------------------|------------------------------|---------------------|------------------------------|--------------------------------|--------------------------|
| 1907 | 650 | 60,000 | 75,522 | 385,319 | 87,115 | 479,130 |
| 1912 | 2,400 | 175,000 | 257,437 | 1,044,626 | 220,802 | 1,254,100 |
| 1917 | 2,400 | 1,000,000 | 882,411 | 2,407,142 | 509,147 | 4,666,102 |
| 1922 | 4,600 | 1,500,000 | 2,438,949 | 2,984,930 | 643,109 | 5,201,303 |
| 1926 | 4,600 | 3,000,000 | 2,572,000 | 4,050,000 | 900,000 | 7,920,000 |

1. Statistics by courtesy of C. B. King, Vice-President of the Red Star Milling Company.

G R A P H 9

The growth of annual flour production in barrels of the Red Star Milling Company during the last 20 years.



THE KANSAS MILLING COMPANY.

The Kansas Milling Company came into realization in the early 90's on the prairies of Central Oklahoma, when Henry Lassen and C. M. Jackman started a small mill at El Reno. This enterprise required some \$15,000 capital, which had to be borrowed to a large extent, but enabled them to construct a mill with 150 barrels capacity, and obtain elevator space for their grain.

Through strenuous efforts, long working days, and the integrity of the founders, the business drew a large grain and flour trade from the surrounding territory. The Lassen grain business at El Reno was combined with the new mill. Mr. Lassen did the wheat buying while Mr. Jackman weighed the grain, issued checks, made flour sales, attended to correspondence and handled other details.

At the time the mill started buying wheat at El Reno the price was 30 cents a bushel. The new company, desirous of making liberal purchases and developing goodwill among the farmers, announced an advance to 33 cents a bushel for the best wheat, thus giving the growers encouragement to produce the finest grade. This spurt in price created a favorable impression with the farmers that lasted as long as the two millers remained

at El Reno. The first and perhaps the most far-reaching decision of the new millers was to insist on the best milling wheat and follow the most careful manufacturing methods with a product of the highest grade. The result of this policy was that the business outgrew the capacity of the mill and the supply of wheat available in that territory. Determined to expand, they chose Wichita, Kansas, as the logical point for a new and larger mill.

The new Wichita mill adhered more strictly, if possible, to the principles that had built their business so successfully. The mill was the best that could be built, and the owners were leaders, not followers, in the adoption and addition of new and improved methods of improving the quality of their product. They were the first hard winter wheat millers to erect sufficient storage capacity to enable them to buy and store the best Turkey Red wheat at the time when it was most easily obtained. This assured them adequate supplies and uniform quality during the entire year. It was the first mill in the Southwest to establish a laboratory with a chemist to analyze every lot of wheat to be ground and every hour's run of flour.

When the Kansas Milling Company moved to Wichita in 1906, a plant of 1,200 barrels capacity was erected. In 1909 an additional 500 barrels capacity was added. In 1913 a 350 barrel mill at St. John, Kansas, known as "The Mill on the Trail" was acquired. Its capacity was soon increased to 600 barrels. In 1920 another unit was added to the Wichita plant, doubling previous capacity. This latest building constructed of concrete, steel and glass, is considered the last word in modern mill construction and equipment. 2.

2. The Flour that Made Kansas Wheat Famous,
published by the Kansas Milling Company.

T A B L E 7

The development of the Kansas
Milling Company during the last
20 years.

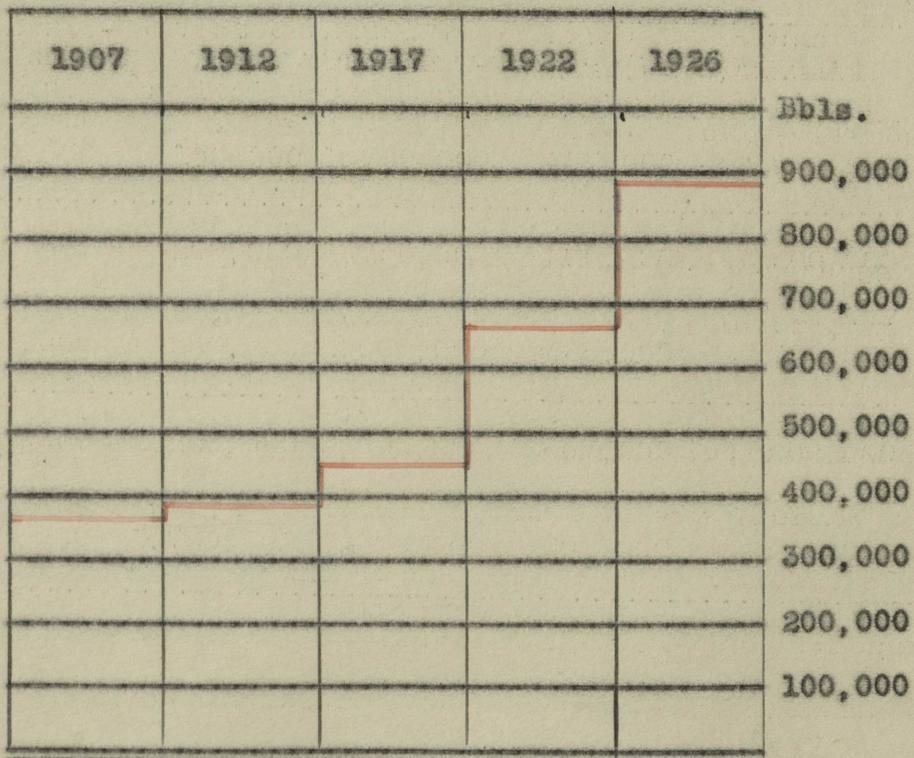
| Year | Milling capacity in bbls. | Grain storage capacity. bu. | Invested \$ capital | Annual grain consumption. bu. | Annual flour (bbls) production | Gross \$ annual business |
|------|---------------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------|
| 1907 | 1,500 | 650,000 | 150,000 | 1,700,000 | 377,000 | 2,000,000 |
| 1912 | 1,700 | 650,000 | 200,000 | 1,750,000 | 390,000 | 2,500,000 |
| 1917 | 1,700 | 650,000 | 500,000 | 2,000,000 | 445,000 | 3,700,000 |
| 1922 | 3,400 | 650,000 | 1,125,000 | 3,000,000 | 667,000 | 5,000,000 |
| 1926 | 3,500 | 1,650,000 | 1,750,000 | 4,000,000 | 890,000 | 6,500,000 |

3.

3. Statistics by courtesy of D. S. Jackman,
Treasurer of the Kansas Milling Company.

G R A P H 10

The growth of the annual flour production in barrels of the Kansas Milling Company during the last 20 years.



THE WICHITA FLOUR MILLS COMPANY.

Early in 1914 fire destroyed the 400 barrel mill at Pond Creek, Oklahoma, owned principally by William Kenney, J. H. Moore and G. M. Lowry. The owners decided to erect a larger mill at Wichita and operate the same under the corporate form as the Wichita Flour Mills Company. The new Wichita plant had the distinction of being the first of the "daylight" type in the territory.

The plant, when ready, had a milling capacity of 1,000 barrels, had some 125,000 bushel grain storage room, and represented a capital investment of about \$250,000.

The firm grew, for in 1918 the company found it necessary to add a second unit with a 1,500 barrel capacity, giving it the present total milling capacity of 2,500 barrels. The grain storage room also has been increased until today it has reached the 1,000,000 bushel mark. The table on the following page shows the healthy and steady growth of the Wichita Flour Mills Company.

T A B L E 8

The development of the Wichita
Flour Mills Company since organi-
zation in 1914.

| Year | Milling capacity in bbls. | Grain storage capacity. bu. | Invested \$ capital | Annual grain consumption. bu. | Annual flour (bbls) production | Gross \$ annual business |
|------|-------------------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------|
| 1907 | n o t y e t o r g a n i z e d | | | | | |
| 1914 | 1,000 | 125,000 | 250,000 | 1,000,000 | 220,000 | 1,848,000/ |
| 1917 | 2,500 | 275,000 | 750,000 | 2,000,000 | 440,000 | 3,696,000/ |
| 1922 | 2,500 | 675,000 | 750,000 | 2,000,000 | 445,000 | 3,742,000/ |
| 1926 | 2,500 | 1,000,000 | 1,500,000 | 2,500,000 | 550,000 | 4,140,000 4. |

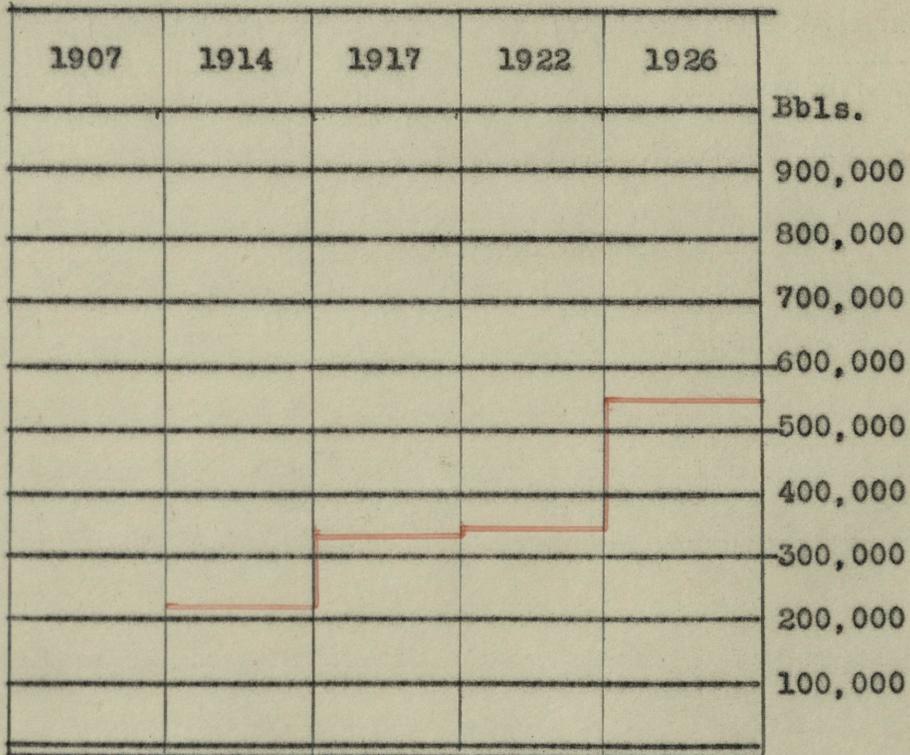
(The figures are as near correct as
could be obtained from the mill)

/ Figures on 1927 price basis.

4. Statistics by courtesy of Chas. B. Moore, Assistant Sales Manager of the Wichita Flour Mills Company.

G R A P H 11

The growth of the annual flour production in barrels of the Wichita Flour Mills Company since organization in 1914.



THE COMMERCE MILLING AND ELEVATOR COMPANY.

In 1874, just four years after Wichita was incorporated as a city, the Wichita City Roller Mills was founded. This mill at the time was considered to be "the largest and handsomest in the Southwest, being built of stone, and three stories in height, and 45 by 120 feet in dimensions." The mill itself was better known as the Oliver and Imboden Company in consequence of the names of its two chief promoters, Mr. A. W. Oliver and Mr. H. Imboden.

The interests and management later passed into the hands of Mr. Imboden and was called the Imboden Milling Company, which name it retained until the year 1917. In 1917 it passed into the hands of the Stevens-Scott Grain Company which disposed of it at the end of one year. Beginning with 1918 it was operated as the Imperial Flour Mills Company with a daily milling capacity of 600 barrels. In December 1925 the milling machinery was totally destroyed by fire and operations were not resumed by the owners.

After the fire the remaining property was acquired by the Edward Kelly Grain Company which installed equipment for a whole-wheat and graham-flour mill. At present the plant is operated under the name of the Commerce Milling and Elevator Company. The table on the page following shows its development since the year 1907.

T A B L E 9

The development of the Commerce Milling and Elevator Company during the last 20 years.

| Year | Milling capacity in bbls. | Grain storage capacity. bu. | Invested \$ capital | Annual grain consumption. bu. | Annual flour (bbls) production | Gross \$ annual business |
|------|---------------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------|
| 1907 | 300 | 75,000 | | | | |
| 1912 | 300 | 75,000 | | | | |
| 1917 | 300 | 75,000 | 45,000 | 250,000 | 24,000 | |
| 1922 | 600 | 75,000 | 80,000 | 480,000 | 96,000 | |
| 1927 | | 75,000 | 35,000 | 4,000 | 700 | 5. |

5. Statistics by courtesy of Ed. M. Kelley, President of the Ed. M. Kelley Grain Company.

FEED MILLS.

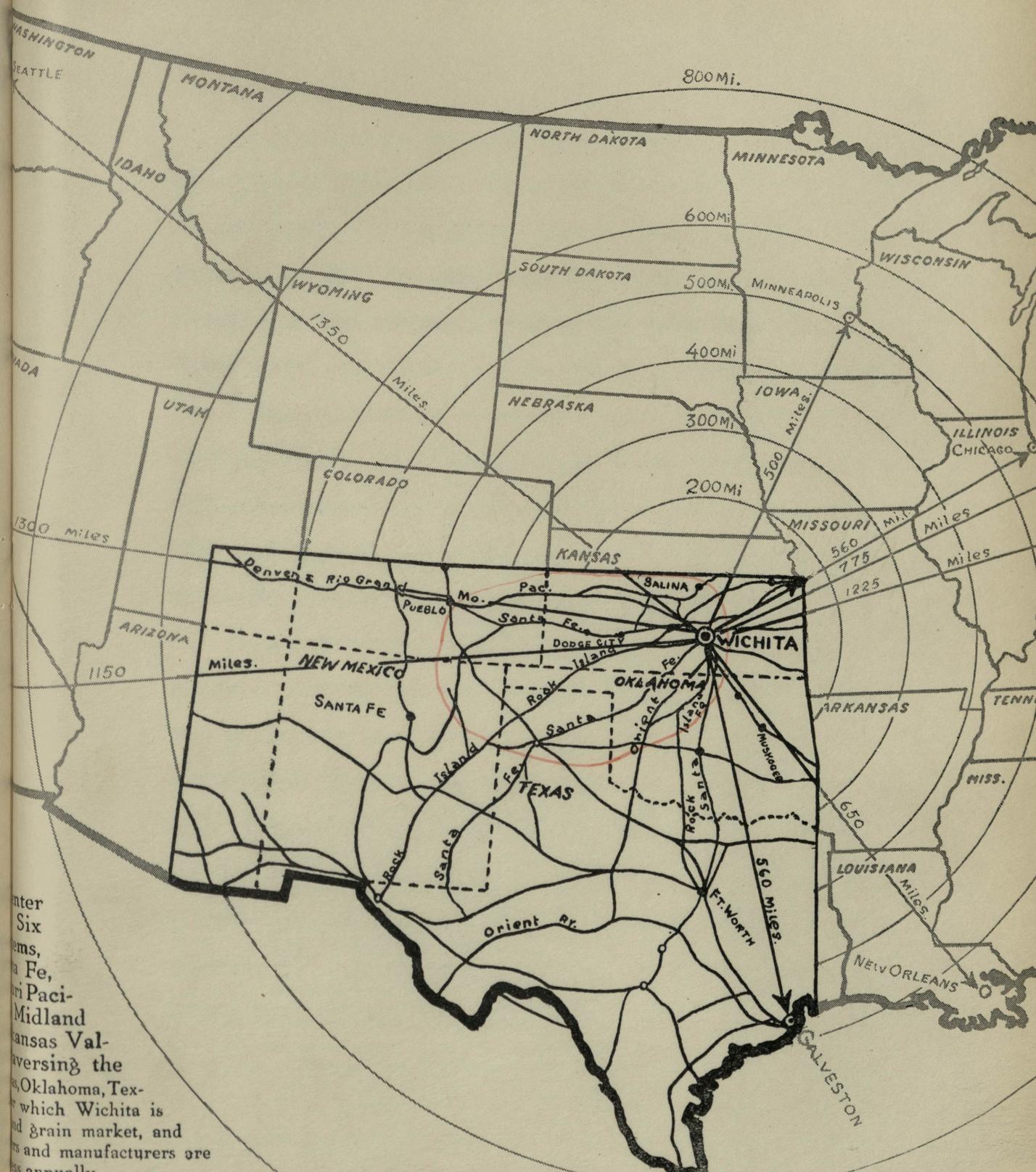
In addition to the wheat consumed by the flour mills there are smaller quantities of grain used by feed mills. The Otto Weiss Milling Company, although operating an alfalfa mill, uses some oats, corn and barley for mixing into stock and poultry feeds. The Kansas Milling Company produces some 20,350 tons of feed annually and consumes about 5,000 bushels of corn for meal and feeds. The Red Star Milling Company grinds about 5,000 bushels of wheat into graham flour annually. The Commerce Milling and Elevator Company, as mentioned before, manufactures only whole wheat and graham flour using some 4,000 bushels of wheat annually. The Peerless Mills and the Kellogg Brothers Feed and Seed Company use some oats and barley. The Jones Seed and Milling Company uses some grain other than wheat in its trade. The Herbert Jones Milling Company is building a new "daylight" type wheat-cracking mill at present. Its chief products when operating will be graham flour, whole-wheat flour and other foods prepared out of cracked wheat. With the completion of this plant another consumer of grain will be added to the Wichita market.

SECTION IV

THE MARKET TERRITORY.

(a) Sources of Grain Receipts.

Wichita draws most of its grain trade from the wheat belt south and west. Trainloads of grain are brought in along the Santa Fe, Rock Island, Missouri Pacific, Frisco and Midland Valley railroads, and some is carried on the Arkansas Valley Interurban. These roads bring carloads not only from southwestern Kansas, but also from Colorado, northern Oklahoma, Texas and New Mexico. The greater part of the wheat comes from the southern and western section of Kansas where immense fields are harvested by means of the combine harvester and thresher, the header and the binder.



This map shows the trading area of Wichita. The red line encircles the part from which Wichita draws its wheat, most of which comes from south and west of the city. Very little grain is bought more than 30 miles east of Wichita. What grain there is raised in southeastern Kansas goes to Kansas City and other markets.

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It is of some interest to know what carriers serve in bringing the wheat, which is the main grain crop, to the market at Wichita. From a table and graph which follows it will be seen that the Santa Fe railroad has brought on the average, during the last five years, of 7,708 cars, or 41.06% of all wheat received at Wichita. The Missouri Pacific comes next with an annual average of 5,445 cars, or 29.00%; then follows the Rock Island with an average of 3,175 cars, or 16.91%; the Frisco with 1,344 cars, or 7.16%; and all other roads bringing in on an average of 1,103 cars, or 5.87%.

These cargoes indicate to what extent transportation plays a part in the development of the wheat industry and shows, to some extent, where a large part of the railroads' freight earnings come from. With other markets drawing on freight accommodations in a similar manner, one may also have a small idea of what responsibility the organized carriers face in moving a large grain crop in the harvest season, which is constantly being shortened.

T A B L E 10

This table shows how wheat is moved to Wichita. (Figures are of the last five years, July 1 to June 30, in carlots - and average.)

| <u>Name of Railroad</u> | <u>Year</u> | <u>Cars</u> | <u>% of Total</u> | <u>Average %</u> |
|-------------------------|----------------|-----------------|-------------------|------------------|
| A. T. & Santa Fe | 1921-22 | 9,521 . . . | 40.25 | |
| | 1923 | 7,272 . . . | 44.30 | |
| | 1924 | 6,928 . . . | 43.29 | |
| | 1925 | 8,493 . . . | 36.28 | |
| | 1926 | 6,325 . . . | 44.00 | |
| | Total | <u>38,539</u> | | |
| | Average | 7,708 | | 41.06 |
| Missouri Pacific | 1921-22 | 9,575 . . . | 40.48 | |
| | 1923 | 4,508 . . . | 27.46 | |
| | 1924 | 3,522 . . . | 22.00 | |
| | 1925 | 5,739 . . . | 24.51 | |
| | 1926 | 3,860 . . . | 26.84 | |
| | Total | <u>27,224</u> | | |
| | Average | 5,445 | | 29.00 |
| Rock Island | 1921-22 | 2,658 . . . | 11.23 | |
| | 1923 | 2,647 . . . | 16.12 | |
| | 1924 | 2,760 . . . | 17.24 | |
| | 1925 | 5,606 . . . | 23.94 | |
| | 1926 | 2,204 . . . | 15.33 | |
| | Total | <u>15,875</u> | | |
| | Average | 3,175 | | 16.91 |
| St. Louis & Frisco. | 1921-22 | 1,020 . . . | 4.31 | |
| | 1923 | 1,247 . . . | 7.59 | |
| | 1924 | 1,738 . . . | 10.86 | |
| | 1925 | 1,720 . . . | 7.35 | |
| | 1926 | 993 . . . | 6.90 | |
| | Total | <u>6,718</u> | | |
| | Average | 1,344 | | 7.16 |
| Other Lines: | 1921-22 | 878 . . . | 3.71 | |
| | Orient | 1923 | 739 . . . | 4.50 |
| | Midland Valley | 1924 | 1,054 . . . | 6.58 |
| | A. V. I. | 1925 | 1,850 . . . | 7.90 |
| | | 1926 | 995 . . . | 6.93 |
| | Total | <u>5,515</u> | | |
| | Average | 1,103 | | 5.87 |

1.

1. Figures taken from Executive Secretary of the Wichita Board of Trade, C. B. Rader's Exhibit, compiled from Manifests of Receipts of the Kansas State Grain Inspection Department at Wichita, Kansas.

G R A P H 12

This graph shows the per cent of wheat moved to Wichita by the various railroads based on carlots of the five crop years 1921 to 1926, July 1st to June 30.

| | |
|--------|--|
| 5.87% | Others- Orient, Midland Valley, A.V.I. |
| 7.16% | Frisco |
| 16.91% | Rock Island |
| 29.00% | Missouri Pacific |
| 41.06% | A. T. & Santa Fe |

Per cent of the total amount of wheat raised within the Wichita buying area in Kansas handled through the Wichita Board of Trade.

The wheat receipts at Wichita from Kansas come almost entirely from the forty-four counties lying west and south of the city. According to the Biennial Reports of the Kansas State Board of Agriculture these counties raised, during the five crop years of 1920 to 1924 inclusive, on an average of 69,391,752 bushels of wheat annually. During these years the Wichita Board of Trade handled 22,795,000 bushels of wheat annually. Hutchinson, which is Wichita's chief competitor in the southwest territory, during this same time received on an average approximately 18,360,000 bushels of wheat annually. Estimating that 75%, or 17,096,000 bushels, of all wheat bought at Wichita comes from Kansas, and 75%, or 13,770,000 bushels, of all wheat bought at Hutchinson comes from Kansas, and subtracting the sum of these two figures from the total amount of wheat raised within the Wichita buying area in Kansas, there is left 38,525,752 bushels of wheat which is diverted to other markets. In other words, Wichita is buying only 32% of all wheat raised within its territory in Kansas.

The significant thing about these figures is that they show the possibility of growth of the grain trade on the Wichita market. Just what factors are involved that will bring more of this wheat to Wichita, or through Wichita, is not within the scope of this chapter, but it is sufficient to say that the matter affords a study of importance in itself. The fact remains that there are being raised annually some 38,525,752 bushels of wheat in southwestern Kansas, an amount $1\frac{3}{5}$ times as large as Wichita is handling now, of which it may acquire an increasing share from year to year under favorable circumstances.

(b) Disposition of Grain Receipts.

Of the 22,000,000 to 27,000,000 bushels of wheat received at Wichita annually almost one half is consumed by local millers. The total wheat receipts for the year 1926, for instance, were 26,672,500 bushels. In the same year the mills of Wichita ground into flour 10,554,000 bushels, or about 40% of the total wheat receipts for the year. Approximately the same situation has been true of other years as well.

The feed mills of Wichita at present are not consuming much wheat but they use considerable oats, barley and corn. However the Herbert Jones Mill and Feed Company is building a new "daylight" type wheat-cracking mill which will require a number of carloads of wheat annually.

The largest portion of Wichita's wheat receipts are shipped to Chicago, Kansas City, Minneapolis, St. Louis, and other eastern and northern markets. Only about 10% to 15% of the city's grain receipts is shipped to Gulf points. No grain is exported direct from the Wichita market since grain sold to foreign countries is handled by the exporters at Gulf points.

SECTION V
COMPETITION FROM OTHER MARKETS.

Hutchinson.

Wichita's chief competitor in southwestern Kansas is Hutchinson. In the years 1921 to 1925 inclusive Wichita received on an average of 3,715 cars more than Hutchinson. In the year 1926, however, the receipts at Hutchinson exceeded those of Wichita by 4,809 carloads. This excess of Hutchinson's receipts over those of Wichita for the year was due to the large crop of wheat in the strip from which Hutchinson draws its grain, and also because of Wichita's inability to get Oklahoma grain on account of freight rate adjustments. The fluctuations in amount of grain receipts from year to year at the two markets run very much the same as indicated by the table on page 77, and by the graph on page 78. That is, in the years when Wichita's grain receipts have increased, the receipts at Hutchinson have also increased, while in the years when the receipts have decreased at Wichita the same has held true of Hutchinson. Statistics from Government crop reports indicate that in the years when southwestern Kansas has raised bumper crops the grain receipts at the two markets have been largest. Similarly the total receipts in other years have fluctuated very much according to the amount of wheat raised in Kansas.

T A B L E 11

Showing the grain receipts
of the Hutchinson Grain Mar-
ket from 1921 to 1926 inclusive.

(Figures previous to this date
not on record)

| <u>Year</u> | <u>Wheat</u> | <u>Corn</u> | <u>Oats</u> | <u>Rye</u> | <u>Seeds</u> | <u>Kafir</u> | <u>Barley</u> | <u>Total</u> | |
|-------------|--------------|-------------|-------------|------------|--------------|--------------|---------------|--------------|------|
| 1921 | 18617 | | 29 | 55 | 44 | 649 | ... | 19,394 | cars |
| 1922 | 12304 | 334 | 31 | 26 | 16 | 545 | 118 | 13,374 | " |
| 1923 | 10515 | 316 | 46 | 19 | 84 | 1929 | 194 | 13,103 | " |
| 1924 | 21605 | 688 | 41 | 7 | 105 | 1206 | 221 | 23,873 | " |
| 1925 | 11857 | 869 | .. | .. | .. | ... | 96 | 12,822 | " |
| 1926 | 25,919 | 697 | 40 | 12 | 71 | 886 | 26 | 27,651 | " |

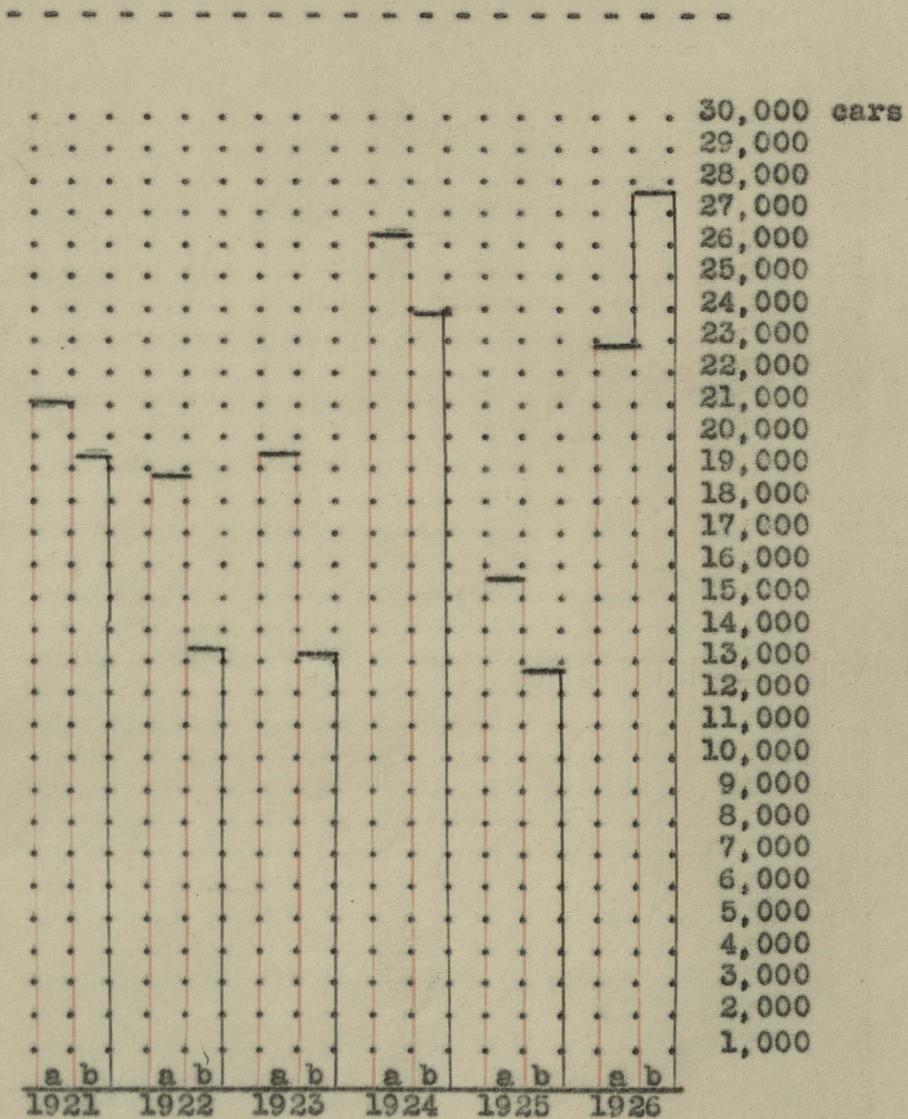
1.

1. Statistics by courtesy of C. W. Colby, Secretary
of the Hutchinson Board of Trade, 1927.

G R A P H 13

Comparing the growth of the Wichita and the Hutchinson Grain Markets according to carlot receipts of all grains for the years 1921 to 1926 inclusive.

(Figures for the Hutchinson market previous to this date not on record)



(a) Wichita
(b) Hutchinson

Kansas City.

The matter of freight rates, however, gives Wichita as well as Hutchinson considerable trouble. With both of these markets located at the door of the greatest wheat belt in the United States it is argued that they should handle the greater part of the grain raised in the Southwest. But this is not the case as seen from the figures shown on pages 73 and 74. It appears that Kansas City can ship southern Kansas wheat to Gulf ports at the same rates as wheat shipped direct from the wheat belt in southwestern Kansas. Wichita is seeking an adjustment of freight rates so that it may ship grain to Texas and other southern states for domestic purposes, as well as for export, on rates that reflect its geographical location. At the time of this writing a rate case is being conducted at Wichita before the Interstate Commerce Commission relative to adjustments of freight rates from, to and between all points in the producing areas and the consuming sections.

A ruling of the Interstate Commerce Commission of several years ago had given Galveston a 3 cents per hundred-weight cheaper rate than New Orleans on grain from certain sections of southern Kansas. This promised the effect of drawing the grain direct to Galveston instead of going the round-about route to New Orleans by way of Kansas City.

The case was recently reopened and the Commission endeavored to change the rate on grain as between New Orleans and Galveston. If changed from the former ruling wheat growers of the Wichita and Hutchinson districts in the territory from these markets west to Liberal, Kansas, and south of the Rock Island Railroad, would be allowed a reduction of grain rates to Galveston of only 1 cent per hundred pounds. This change would reduce the advantage of grain shipped direct from southern Kansas to Galveston and would give Kansas City much of the wheat that would otherwise pass through Wichita.

At the prevailing rates the farmers of southern Kansas can no longer ship their grain to Texas points except at a sacrifice of from 4 to 8 cents per hundred pounds. Rates from Oklahoma and Texas to Galveston are from 4 to 6 cents lower than rates on wheat from southern Kansas, only a short distance farther north.

Points South.

If the rates on Oklahoma and Texas wheat are from 4 to 6 cents lower to Gulf points than the rates from southwestern Kansas, then wheat from Kansas cannot be shipped south in competition with Oklahoma and Texas grain.

Freight Rates Determine the Movement of Grain.

Freight rates, then, are a very vital factor in determining the price which the Wichita market can pay for grain. And price determines the movements of grain. If Wichita can ship wheat to Gulf points at rates that reflect its geographical location then much of its grain now going east will go south instead. This difference in the movement of wheat would bolster up the price of Kansas wheat, as many northern millers must have hard winter wheat to mix with the spring wheat of the North for milling purposes. In order to attract hard winter wheat to the North the purchasers in that section would have to put in somewhat higher bids. It is only natural that there should constantly be conflicts over freight rates between Wichita and Kansas City, and other eastern and northern markets.

If the rates from Wichita to Gulf points are reduced too much, the Kansas grain will come into favorable competition with Oklahoma and Texas grain. A fair adjustment of the freight rates is indeed an intricate and difficult matter. It is possible, however, that the stronger interests of Kansas City, Chicago, and St. Louis, all

of which are older and larger markets, are wielding a greater influence over the railroad rate structure than the younger markets of Wichita and Hutchinson.

Necessity of Wichita as a Grain Market.

Governor Johnson from Oklahoma stated at the recent rate case before the Interstate Commerce Commission at Wichita "that it should be possible to ship wheat to a tidewater port, such as Galveston, at 10 to 12 cents a hundred lower than at present. This would be about half the rate now in effect." Wichita, Hutchinson, Enid, Oklahoma, and similar markets are located within the agricultural territory where the commodity they handle is raised. Many of the members of the boards of trade in these cities are farmers or men who represent farming interests. Consequently these markets probably represent the agricultural interests better than the larger markets of the north and east where a great percentage of the market operators are traders pure and simple. Their chief interest is in the product on the market at the present, and not in the potentiality of future production. Furthermore, the large markets, insofar as they

draw their supplies from the country as a whole, are not concerned whether Kansas or Oklahoma or Texas or any other particular state raises wheat; their concern is to get wheat. Consequently they do not perform the task of developing a particular production area such as the wheat belt in Kansas. Work of this sort, however, is of vital importance to markets like Wichita, Salina, Topeka, Hutchinson and Dodge City.

As a grain center Wichita also furnishes large storage facilities for the grain not in condition to be sent on long journeys. Much of the grain coming in from the "combines" needs to be dried, cleaned, mixed or sacked. All of these functions go to improve the commodity shipped to northern or eastern markets, or exported, and thus they prevent transportation and other losses. In order to be most economical such services must be performed close to the locality where the raw material is produced. It is an expensive and dangerous process to transport wheat which is spoiled, overheated, or fit for feeds only. Such grain can well be separated from the good grain, however, and used in various ways for feeds for stock and poultry. There is no doubt but that the terminal

elevator erected at Wichita, and which performs the operations mentioned above, would never have been built except for the fact that the city had an organized exchange which acts as a magnet in drawing grain to Wichita.

Wichita also furnishes a quicker market for cash grain to its territory than Kansas City, Chicago, Minneapolis or other markets at longer distances. Grain billed to Wichita reaches it in a day or two. Disposition of consignments can be quicker on in-bound grain, and settlements are more prompt than from distant markets. The prompt disposition of grain makes the local prices more responsive to the market prices in general. This is a great advantage to the farmer as well as to the country buyer for quotations offered from distant markets on long period acceptances of say 20, 30 or 60 days, must necessarily be conservative and within a margin safe for the buyer. In the long run the farmer bears the expense of safety margins.

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