

Going with the grain: Duluth's board of trade

The Duluth Board of Trade was officially formed on January 3, 1881, when nine Duluthians stood before a notary public as founding members of the new trade organization. The initial life of the board was set for 30 years. The need for an organization with a set of rules based on ethical business principles was recognized as one of the

paramount tenets of the board. The articles of incorporation called for the board to "establish and maintain uniformity in commercial usages," to "inculcate just and equitable principles of trade," to "adjust controversies and business disputes," to "acquire and disseminate valuable business information" and, finally, in maintaining a commercial exchange, to "secure to its members the benefits of co-operation in the furtherance of their legitimate pursuits."

Grain exchanges and boards of trade were not uncommon in the Midwest, their establishment incidental to regions where large amounts of grain was raised, transported and marketed. The Chicago Board of Trade was established in 1848, and the Kansas City Board of Trade nearly a decade later. In 1881, the same year that Duluth established its Board of Trade, the Minneapolis Chamber of Commerce, known today as the Minneapolis Grain Exchange, came into existence.

Organizing the Board of Trade in Duluth, for the movement of cereal grains, was an speculative action, banking on the future of the city and region as a

grain handling community. The new board's confidence was buoyed by the substantive increases in rail and vessels receipts for the handling of spring wheat. The availability of cheap water transportation at Duluth, coincident with the growth of rail service from the burgeoning wheat fields of the Red River valley, all but assured success.

In its early days, the Board of Trade leased offices in the Metropolitan Block of downtown Duluth. To accommodate the expected growth of its membership, ground was broken in 1884 for a building of its own at the corner of Superior Street and Third Avenue West. The new Duluth Board of Trade building was dedicated on January 6, 1886. While this auspicious beginning propelled the growth of the Duluth board forward in spirit, the year's grain receipts, listed at 20,051,000 bushels, had exploded in comparison to the annual totals from previous 10 years, signifying the validity of the organization.

The Duluth Board of Trade became the epicenter of the upper Midwest grain trade. Filling office space in the new building wasn't a problem; finding room for the list of potential tenants quickly prompted a demand for expansion. The plans were shelved, however, when a ruinous financial panic swept through Duluth in 1893.

A year later, a devastating fire swept through the Board of Trade's building. The building and all of its contents were a total loss, forcing the board to temporarily relocate to the Chamber of Commerce building. The plans for expansion that the board had forsaken a little over a year earlier were resurrected, and the search soon began for a new location.

Securing financial resources from its membership roster was a struggle, despite the continued growth of the agricultural economy. But, in an industry where taking risks was a large part of business culture, moving forward was the only option. In fact, as a direct result of the economic depression, the board was able to leverage the low cost of goods and labor to construct its new headquarters at a cost lower than was believed possible, a figure in the neighborhood of \$315,000.

The architectural design team of Traphagen and Fitzpatrick was retained to oversee completion of the new building. Oliver Traphagen was half the team of Traphagen and Wirth, designers of the original Board of Trade. Within a few months the cornerstone was laid for the new building, a short distance from the slurry of ash and snow that coated the crumpled remains of the old headquarters. By March of the following year the members were finally resettled.

The new Board of Trade Building, an eight-story Romanesque style edifice of steel, brick and stone, projected an aura of grandeur and confidence. Central to the building was a large, two-story arch, described as providing an "almost triumphal" entrance to the main vestibule. The grand approach, replete with the "most delicate of lace work," carved into the red portage sandstone by local stone mason George Thrana, accentuated the building's utilitarian lines.

From its inception, the Duluth Board of Trade traded exclusively in cereal crops. Initially, trading was conducted on a "cash market" basis, where pay-



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ments were made every step of the way, from the farm field to the line elevator and from the terminal elevator to overseas or domestic markets. The primary function for the members of the Board of Trade was to set and regulate prices to ensure fairness in trade.

It is no surprise that wheat was the strongest and most prevalent crop in 1881, when the board first began operation, with 3 million bushels handled. Receipts for corn and oats lagged in the distance. By the mid 1880s, transactions for barley and flaxseed were recorded, and several years later a very small quantity of rye was recorded in the annual report. While some crops, such as wheat and flaxseed dominated the early years, all cereals made slow, but steady progress. (It should be noted that at its inception the Duluth Board of Trade also handled all grain receipts for elevators in Superior, Wisconsin, until a similar trade organization was established there.)

In 1903 a small amount of durum wheat entered the port of Duluth-Superior for the first time, although there was not much interest in the milling industry for the commodity. Undeterred by the lack of initial success, the Duluth board was able to find a strong market in Europe for durum wheat, where it was processed into flour used in the production of macaroni. Within 10 years, the marketing efforts attributed to the board were paying big dividends, as receipts for durum wheat exceeded 17 million bushels, much of it going directly overseas.

Speculative trading (trading on a futures market) came later as Duluth grew in importance as a grain merchandising center. Speculative trading is a complicated process, involving a diverse cross section of the industry that follows the flow of the commodity from the field to the end consumer, each transaction

involving in one way or another farmers, elevator operators, shippers, agents, grain inspectors, cargo handlers and millers. In a simplified fashion, trading occurs in the "pit," an area where all the interested parties come together to buy and sell on the day's receipts of grain.

The trading pit is the heart of the grain exchanges, the central location where the feverish transactions of the day are played out for the world markets. The trading pit at Duluth was originally located on the second floor of the Board of Trade Building. When the build-

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ing was remodeled and expanded in 1898, the pit was moved to the eighth floor of the building, where the largest "free-standing, self-supporting skylight in the United States" perpetually cast light upon the proceedings below.

Grain samples, arriving daily on the morning train, were graded by state inspectors before the trading floor opened. At 9:30, the stillness of the vast open room was broken by the sound of the opening gong, the signal that began the day's four-hour transactions period. It was a chaotic scene as sellers and buyers vied for the best deal while additional deals were made with shipping agents for the chartering of vessels.

The Board of Trade succeeded in all aspects of its business and in 1906 exceeded the life of the last of its remaining pioneer entrepreneurs with the passing of Charles Graves and Walter Van Brunt. When the building mortgage was retired, a ceremonial burning of the mortgage occurred in the trading pit. Five years later, when the first life term

of the original charter expired, the term was eagerly extended.

There were many good years to come, along with some challenges. In 1929, a change in grain inspection practices established holding points for rail cars loaded with grain, rather than through-putting the cars directly to Duluth, reducing the amount of grain sampled and graded at Duluth. The colorful days of the frenetic, arm-waving men with notepads sampling grain in the trading pit had reached their peak.

Throughout its life, the Board of Trade remained inexorably linked to rail transport, its lifeblood. It was not surprising when, in 1965, the loss of rail service that was relied upon for the delivery of grain samples precluded the end of the line for the inspection and sampling of grain at Duluth. Ironically, the following year the Port of Duluth received a record 252.6 million bushels of grain, evidence that the market hadn't so much changed as had the methods of doing business.

In 1972, the members of the Board of Trade voted to dissolve and re-form as the Board of Trade, Inc. That same year the Board of Trade Building was sold to a group of private investors. Today, the building is listed on the National Historic of Historic Places and houses offices and a deli and is still a proud reminder of Duluth's past.

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