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MONTHLY REPORT
CROP AND BUSINESS CONDITIONS IN THE
NINTH FEDERAL RESERVE DISTRICT.

February 1917

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The situation at the close of the month is very unusual, and in some respects extremely satisfactory. The grave international situation that has developed during the last 30 days has provoked no hoarding of gold. Country banks are not grasping for cash to strengthen their reserves. There has been no anxiety over their future credit on the part of concerns that are large borrowers, and back of the satisfactory business situation is the fact that country bank deposits are generally high, reserves strong and rates normal. Banks at urban centers are carrying satisfactory deposits and good reserves, and while there has been a very gradual hardening of rates, the process has not reached beyond a rate level that is very strong at a minimum of $4\frac{1}{2}$ percent, with the exception of terminal grain paper. A firmer tendency in bank rates is a desirable development, and will strengthen the general banking situation.

The course of business during the month has been normal, except as it has been interfered with by weather and traffic conditions. The district is generally prosperous, and the outlook is very good.

That these conditions should exist at a time when the future course of international affairs is so uncertain, is the most substantial proof of the underlying confidence of the banking, business and general public in the essential soundness of conditions in this district, and of the degree in which the public has confidence in the present banking machinery of the United States. There is evidence of a general belief that the banks of this district are well able to meet such demands as may be imposed upon them, and that agriculture, commerce and industry feel that the mobilization of banking strength and the reconstruction of the currency system that has occurred during the last two and a half years affords protection that is ample for all necessities. The significance of this situation will be best understood by those who remember the conditions prior to the panic late in 1907, and reflect upon the effect the present situation might have produced, had recent events occurred before the establishment of the Federal Reserve System.

The traffic situation during the month has been extremely unsatisfactory. The shortage of cars has been severe, and has crippled all producing industries at the larger centers, bearing with especial severity upon the movement of grain, and upon the milling industry. Terminals at the larger centers have been choked with cars, and the switching of loads delivered at terminals to their respective destinations has been so slow and difficult as to cause great inconvenience in the distribution of coal to consumers, in the handling of produce, and in the delivery of freight. Recent car service relief measures have begun to produce some effect, noticeable chiefly in an improvement of the milling situation at Minneapolis, which terminal has been allotted 700 empties, and is shipping two train loads

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of food stuffs, chiefly milling products, per days. The favorable weather of the last days of the month has been of great assistance in clearing up the traffic congestion, and freedom from storms for another ten days is extremely desirable.

The traffic situation over the district as a whole has been equally unsatisfactory. Branch line service has been seriously interrupted, and the movement of both freight and passenger trains has been irregular. This has produced distress at some points, where fuel supplies are short, and has necessitated the most vigorous measures in order to prevent suffering. Through service and the handling of mails has been interrupted. Frequent storms have imposed a very heavy burden upon all of the railroad lines, which have had great difficulty in keeping tracks clear.

February did its part in establishing a record for a winter of unusual continued cold, and extremely heavy snowfalls. Although feeling the effects of weather and transportation handicaps, both wholesale and retail trade during the month was satisfactory, and collections were fair to good. Country banks report that the outlook is for an extremely active spring, with the probability that farmers will be heavy borrowers on account of the shortage of good seed in many localities, and the high prices that they will have to pay for all seed grain. Farm labor promises to be scarce and high. The acreage planted, in view of the excellent soil preparation last fall, will be considerably larger than a year ago, with the promise of a substantial increase in wheat and flax especially. Expert observers are inclined to believe that prices will continue high, and that farmers will realize well on their 1917 crop. Conditions point to an active year at country banks, with a correspondingly good demand at city points.

Live stock has wintered well in the western Dakotas and Montana, and prices have been very good. Some wool has already been contracted for at 40 cents, which is the highest price in the history of the West. Feeder steers, averaging 1000 pounds each, are in good demand at approximately 8 cents, and stockmen feel that the price outlook is excellent. Lambs that have been on feed are selling at approximately 11 cents. Stock sheep are hard to buy at \$10.00. European governments are out of the market so far as horses are concerned, and the demand has practically ceased.

February receipts at the South St. Paul stockyards amount to 42,742 cattle, an increase of 8,418, and 11,107 calves, an increase of 456. Hog receipts fell off 138,000; sheep receipts fell off 24,944; and total car receipts were off 1,321, the decreases being due chiefly to the extreme cold and the difficulties of transportation. Prices on the market during the month were very high for all classes of stock.

The seed situation over the district is not as satisfactory as it might be. While many farmers have already provided, there will be a good demand for all of the various kinds of seed grain, and for corn; and seed potatoes will be high in price and hard to get. Country banks and agricultural associations are giving careful attention to this situation, and are warning farmers to act without delay.

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The industrial outlook is good, with the exception of minor labor troubles that are in progress, and the prospect of strikes affecting several lines, that are scheduled for the near future. Employers are of the opinion that notwithstanding the active demand for labor, and the uniformly high average wage rate, the first half of the year will witness considerable uneasiness. Labor disturbances coming during the spring months will have a further unfavorable effect upon spring construction, which has already been cut down to some extent by the unusually high price of building material and high labor costs.

Production in the copper districts of northern Michigan and Montana proceeds at an exceptionally high level. The iron mining districts of northern Michigan and northern Minnesota are preparing for a very heavy season. The principal northern Minnesota operators have kept their forces together as well as possible during the winter months in anticipation of extremely heavy demands for ore, and the necessity of moving an exceptional tonnage from the mines to the shipping docks on Lake Superior.

Expert observers in banking, industrial and commercial lines are of the opinion that this district is at this time in very sound condition, and that the spring months will witness a considerable degree of activity and prosperity. There is a strong prospect that the end of a long period of extremely cheap money is at hand, and it is believed that a return to normal rates will have a good effect upon business.

So-called war contracts, of both a direct and indirect nature, which have given some additional business to firms within the district, are tapering off, and will shortly disappear. This business, which had the favorable effect of affording needed production when it was first contracted, ceased sometime ago to be of any real importance as compared with the total industrial production of the district, and the loss will not be felt.