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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

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GENERAL PRICE SITUATION. The most important business event in the month of December was the general and substantial decline in prices at wholesale of practically all commodities. The declines in December when added to those of the preceding months have marked the year 1920 as one of greater readjustment in price levels than has ever been witnessed heretofore. The effects have not been different from those in other periods of business decline, such as diminished buying, decreased production, increased unemployment; and a stronger desire to economize, save, pay up debts, and invest. The prices of products in the Northwest have declined in harmony with those of the other producing sections and industries of the world.

The median quotations for cash sales of all grains at Minneapolis were lower in December than in November except for rye which advanced one cent per bushel. All the quotations without exception exhibit a narrower range in December than in November. These median prices furnish an index of conditions prevailing throughout the month and are a means for simplifying the variations due to changes in daily quotations. The median is that price at which the number of bushels sold at a higher price is exactly equal to the number of bushels sold at a lower price.

All live stock prices at the South St. Paul Stockyards as shown by the median quotations in December and November declined, with the single exception of lambs. Even in the case of lambs, the highest and lowest quotations were lower in December than the highest and lowest in November. This tendency for quotations to fall within a narrower range, is evidence of more stable conditions as to prices and demand and supply. Prices of wool declined as well as wholesale produce prices for butter, eggs, cheese, potatoes, oranges, veal, and hogs.

UNEMPLOYMENT. The Ninth Federal Reserve District during the last four months has experienced a great increase in the number of unemployed. Minneapolis concerns which employed 26,703 persons a year ago, reported to the Civic & Commerce Association a reduction to 20,708 on or about January 1, 1921, or a decrease of 22½ per cent. The reductions are greatest in the woodworking, paper, iron and steel industries, which indicate reductions as high as 33 per cent or more. Mining companies in Montana report a reduction in the number of men employed during the month of December equal to 30 per cent of the number a year ago. The Michigan mines, as well as lumber manufacturers throughout the whole district, report a reduction in the number of employees of 34 per cent of a year ago.

GENERAL BUSINESS CONDITIONS. There was a decided shrinkage in the volume of business during the four weeks ending December 29 as compared with the four weeks ending December 1, when measured by the volume of payments made through clearing house banks in the eleven most important cities of this district. The December volume was 16½ per cent less than in November, whereas a year ago between the same months there was a decline of less than 2 per cent. It is evident that the decline is much more than seasonal. Also the total in December is 7 per cent less than a year ago. The city of Superior alone exhibited gains over last month and over a year ago.

The production of flour mills in this district for the four weeks ending December 25 declined about 18 per cent as compared with the four weeks ending November 27. The total production in December was about 81 per cent of a year ago. Copper production in December was practically unchanged as compared with November. Linseed oil and cake, in the manufacture of which Minneapolis predominates, declined in December to three-fourths of the November volume as measured by shipments. The volume of retail trade in December as measured in dollars

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and cents was practically the same as in November. However, the retail stocks on hand were less than a month ago and less than a year ago so that an increase of turnover has been enjoyed. Business failures, which are an index to past business conditions, were much the same in December as in November. The record-breaking totals for the amount of liabilities continued and enormous increases over a year ago were evidenced. In December there were 44 failures with liabilities totaling \$1,150,260. It is rather early to estimate the outcome of the winter crops and the reports now available are fragmentary. However, these earliest reports indicate that the acreage seeded to rye in North Dakota, Minnesota, and Montana combined is less than 78 per cent of a year ago, and that the acreage seeded to winter wheat in Montana and Minnesota combined is less than 71 per cent of a year ago, according to reports from state representatives of the Federal Department of Agriculture. In building, grain movement, and live stock receipts, there were remarkable declines.

BUILDING AND LUMBER. Building operations, when measured by the number of permits in December declined to about two-thirds of the November volume. There was a noticeable increase in the valuation, however, in the case of the cities of Duluth and Superior. Of the December permits only 46 per cent was for new construction, whereas the average for the preceding six months was 85 per cent in this district. When comparison is made with a year ago on the basis of the valuation of the permits, a decline is shown to 33 per cent. The declines were particularly startling in the case of St. Paul and Great Falls, which reported declines to 9 and 8 per cent respectively of the volume a year ago. The valuation of Minneapolis permits was but 36 per cent of a year ago. The prices of building materials continue in an unbalanced condition. Some kinds of lumber have been cut 50 per cent since March 6, but some other building materials are even higher. Lumber manufacturers and retailers report substantial declines in lumber cut, in shipments, and in sales, both as compared with a month ago and a year ago.

GRAIN MOVEMENT. From the time of harvest until December 20, there was an increase in the movement of grain as compared with a year ago. Thereafter a decided slump took place in the Minneapolis receipts. Minneapolis receipts of all grains during December totaled nearly 18 million bushels as compared with nearly 21 million bushels in November of this year and as compared with nearly 20 million bushels in December a year ago. When the total grain movement through Minneapolis and Duluth is combined, it appears that December receipts were about three-fourths of those in November and about 11 per cent larger than a year ago. Wheat receipts alone in December were 62 per cent of November and slightly larger than in December a year ago.

When the stocks of all grains for Minneapolis and Duluth are combined it appears that the total of 24,304,823 bushels at the close of December was 5 per cent larger than at the close of November and 92 per cent of that held a year ago. As compared with a month ago, the stocks of corn exhibit a phenomenal increase, and the stocks of rye a decrease of 25 per cent. Wheat stocks on December 31, totaled 9,355,760 bushels which was practically the same as a month ago but 15 per cent less than a year ago.

LIVE STOCK. Receipts in December for all kinds of live stock in South St. Paul Stockyards were about one-half of those in November. As compared with a year ago, the total December receipts of all live stock were less than three-fourths and shipments less than two-thirds. Cattle receipts were less than one-half of the movement in December a year ago. The lower prices which have prevailed throughout the month were due primarily to a great reduction in demand for foreign exports, although the demand for beef to be placed in freezers substantially declined. In addition, stock raisers were inclined to get rid of cattle that were in passably good beef condition because of an apprehension

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that the market prices would continue to decline as is evident from the fact that many of the notes secured by cattle have been paid before maturity dates. This selling movement has not brought about a material reduction in the weight of live stock received at South St. Paul as the average weight for cattle was greater in 1920 than in 1919, and larger than the ten year average. Only in the case of calves was there a noticeable decrease in average weight as compared with a year ago and as compared with the ten year average.

Stocks of frozen meats exhibited a substantial decline in December in the case of beef and an excess in the case of pork.

BANKING DEVELOPMENTS IN DECEMBER. A comparison of the December 30 statement of condition of the Ninth Federal Reserve Bank with that of December 3 indicates that the total accommodation required by member banks in this district declined $7\frac{1}{2}$ million dollars or more than 16 per cent of the amount on the earlier date. This bank reduced its borrowings from other Federal Reserve Banks during the same period by \$9,200,000. It was able to do this by reducing the total gold and lawful money reserves in the sum of \$4,000,000, although it was necessary to redeem our note issues to the extent of \$2,000,000 during the month. Member banks increased their reserve deposits with us \$1,400,000 and of their paper repurchased from other Federal Reserve Banks, \$1,600,000 was taken into our own assets. The combined reserve percentage declined between the two dates from 42.3 to 39.8 per cent. As compared with January 2, 1920, or about a year ago, the total accommodation to this district exhibited an increase of \$14,400,000; and our rediscounts with other Federal Reserve Banks on December 30 were \$14,800,000, whereas a year ago there were none.

Reports received from 38 selected member banks in the larger cities in this district on December 31 as compared with December 3 indicated a decrease in the total accommodation to their customers of more than \$13,000,000, all of which was used to repurchase rediscounts that had been placed with the Federal Reserve Bank. However, these member banks borrowed between these two dates more than \$2,000,000 from the Federal Reserve Bank on their own collateral secured notes. This was necessary as they experienced a decline in demand deposits of \$7,000,000, although there was a gain in government deposits of \$3,000,000. Their reserves at the Federal Reserve Bank were built up during the month to the extent of \$2,000,000.

Inasmuch as the net borrowings of these banks in the larger cities from the Federal Reserve Bank declined $11\frac{1}{3}$ millions, and as the total accommodation extended by the Federal Reserve Bank during the same period decreased by $7\frac{1}{2}$ millions, as shown above, it follows that the banks located in the country districts received additional accommodation during the month to the extent of nearly \$4,000,000. Other evidence of this tendency will be found in the classification of paper held by the Federal Reserve Bank at the close of business December 30 as compared with December 3. Between these dates there was a reduction of nearly 12 million dollars in holdings of commercial and business paper and a reduction of nearly $1\frac{1}{2}$ millions in loans secured by certificates of indebtedness, while these were increases of $2\frac{1}{4}$ millions in live stock paper, $\frac{1}{4}$ of a million in agricultural paper, $2\frac{1}{2}$ millions in notes secured by Liberty Loan Bonds, and more than a million in notes secured by Victory Notes. It appears that the city customers are reducing inventories, taking losses and reducing their borrowings, whereas agricultural districts are being carried for increasing amounts.

The discount rates of the Federal Reserve Bank remained unchanged during December. Rates in the open market changed slightly. There were increases from one-fourth to one-half per cent in long term paper whether secured by cattle, warehoused goods, or unsecured commercial paper. These increases were confined to advances in the

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higher rates, and not to those customarily prevailing. There was a decrease of about one-eighth per cent on the average in the prevailing rates for bankers' acceptances running for 90 days both endorsed and unendorsed. Commercial paper was selling on December 31 at 8 per cent the same as in November, but fully 2 per cent more than a year ago, while customers' rate at banks was $7\frac{1}{2}$ per cent the same as in November, but fully $1\frac{1}{2}$ per cent more than a year ago.

A statement of condition of the 12 Federal Reserve Banks combined shows that there was a decrease between December 3, 1920, and January 7, 1921, in the total earning assets of 221 million dollars, owing to a reduction of 114 millions of bills discounted, a reduction of 56 millions in notes secured by government collateral, and reductions in acceptances bought and securities held. There was a decrease in Federal Reserve Notes outstanding of 42 millions which precisely equals the reduction during the preceding month. Member banks' reserve deposits, however, increased 32 millions and the total reserves were increased 78 millions. The combined reserve percentage improved 2.3 per cent between these dates. As compared with January 9, 1920, the total earning assets on January 7, 1921, exhibited an increase of 146 million dollars, the notes an increase of 310 millions, and the gold and lawful money reserves an increase of 175 millions. The combined reserve percentage on January 7, 1921, was 46.4 per cent as compared with 45.4 per cent on January 9, 1920.

BANKING CONDITIONS ON JANUARY 21st. Our total net accommodation to this district was reduced between December 30 and January 21 by more than 11 million dollars, which enabled us to reduce our rediscounts about 9 millions to other Federal Reserve Banks, but leaving us with about 6 millions more of such rediscounts than one year ago. Federal Reserve Notes declined, owing to the trade and business readjustment prevailing, to the amount of more than 5 millions.