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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

Winn. Hist. Soc

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MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

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SEPTEMBER.

CROP CONDITIONS.

As compared with a month ago there has been a decrease in the prospective production of all cereals but corn. The very favorable weather during the month improved the corn prospect very materially, and indications are for an increase of about 19,000,000 bushels as compared with last month's estimate. The present estimated production based on approximately 800 reports is as follows:

Wheat	154,134,000
Oats	281,740,000
Barley	80,960,000
Rye	26,155,000
Corn	264,003,000
Flax	14,087,000
Grand Total	821,079,000 Bushels

When the estimates are studied in detail by states and grains the following developments are to be noted as compared with a month ago:

A decrease in wheat of about 7 million bushels in each of the four states of Minnesota, North and South Dakota, and Montana, the decrease being least in South Dakota, and most in Montana. A decrease in all of the grains in Montana, consisting of 8 million bushels less of wheat, 5 million bushels less of oats, and less than one-half million bushels decrease in each of the other grains. A decrease of 12 million bushels in oats estimate for North Dakota. A decrease of 6 million bushels of barley in South Dakota, and a decrease of more than one million bushels of rye in South Dakota.

An increase of about 10 per cent of flax production in South Dakota.

Unchanged production of oats, barley, rye, and flax in Minnesota. Unchanged production of barley, rye, and flax in North Dakota. Unchanged production of oats in South Dakota.

THE CORN CROP.

The favorable progress of the corn crop is especially gratifying. The crop appears to have reached a stage where it is practically safe from frost damage. South Dakota's large production is maturing in excellent shape, and southern Minnesota will contribute heavily to the total. There will be more or less shrunken corn this year valuable chiefly for feed, coming mainly from sections where there has been a deficiency of moisture.

The Ninth District has not raised a bumper crop, but in money value it has raised a crop of outstanding consequence. On the basis of these estimates the money value of the cereals plus the amount of corn that will be marketed and sold is approximately \$900,000,000. This estimate does not include hay, which for the Ninth District as a whole, is more valuable than wheat. It does not include livestock or dairy products, the large potato crop, dry vegetables, poultry, fruit, and other products contributing substantially to the return from agriculture. It appears to be entirely safe to estimate the present value of agricultural and livestock production of the district this year at \$1,250,000,000. This is an amount more than sufficient to liquidate the indebtedness of the Northwest and leave an ample margin as a foundation for business prosperity during the coming year.

TRANSPORTATION.

Between this production and the realization of these values, the question of transportation intervenes. From the beginning of the crop year to the date of this report there has been a shortage of 6,404 cars of grain delivered at Minneapolis terminals as compared with a year ago when the crop movement was not up to normal. This shortage represents at a market a value of approximately \$11,527,000 in grain, which illustrates the importance of a prompt and satisfactory movement by rail if liquidation is to follow in the wake of the harvest. From 1915 to date the railroad mileage of the district has been practically stationary, although the volume of traffic has increased heavily and the demands upon the railroads have been greater than at any previous period. The transportation facilities of the district are contending with this situation, while at the same time they are far short of their normal freight equipment due to conditions resulting from the war, and are also contending with great difficulties in obtaining the return to their own lines of the reduced amount of equipment which they own. Northwestern grain cars are very widely scattered as a result of the pooling of equipment during the war, and while Eastern lines have freight equipment in excess of their ownership, Western lines are correspondingly short.

HAY AND SUGAR BEETS.

There has been a large and satisfactory hay crop throughout this district. It is estimated that the total of the wild hay in Montana alone is 30 per cent greater than last year. This large hay crop in connection with increased production of oats, millet, and other grains has affected the demand for alfalfa hay. The price of the latter now ranges from \$19 to \$23 where the crop is near transportation.

The sugar beet crop which is being harvested now in Montana is estimated at 11,000 acres, with a yield between 9 and 10 tons per acre. This is considered a good average acreage and a good average yield. Although about 5,000 acres have been abandoned for various causes the grower will receive a very satisfactory price as he is guaranteed a minimum of \$12 per ton. Should the price of sugar be higher than agreed in the months of October, November and December, the price paid will be larger. The delay in harvesting this year has been due to the very late spring and excessive moisture in the early part of the season.

GENERAL BUSINESS CONDITIONS.

During the month of August there was the usual seasonal increase in the receipts of grain and livestock; and owing to special efforts which had been made to bring it about, there was an increase in the receipts of coal. Otherwise practically all of the statistical indices manifest a general decline in the volume of business. Price declines likewise were quite general during the month. There were decreases in flour production and shipments, in iron ore shipments, in copper production, in sales and stocks of lumber held by wholesalers and retailers, in the valuation and number of building permits for new construction, and in the tonnage passing through the Soo Canal after deducting the coal tonnage.

Debits to individual accounts of clearing house banks in the eleven most important cities in this district are fairly representative of the general conditions prevailing. The four weeks ending August 27 when compared with the four weeks ending July 30 show that there has been a decrease of more than 4½ per cent. All cities in the district exhibited decreases or insignificant increases except Aberdeen. The volume of individual debits is a good index as to changes in the volume of business or in the price level or both. As compared with a year ago the four weeks ending August 27 exhibited a small increase of less than 1 per cent. Postal savings deposits declined 1.4 per cent during the month and this probably represents the effects of high living costs, increased unemployment and speculation in foreign moneys. Bank loans are expanding owing to the seasonal demand for currency to move the crops although rates are firm and high. There was an increase in the number of failures particularly among smaller firms.

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The Northwest has not received the number of empty grain cars which were promised. Under the American Railway Association order of March 16 and the Interstate Commerce Commission order of July 24, empty cars suitable for grain were delivered to Minneapolis as follows:

An average per week of 2,062 cars in the four weeks ending August 1st; and an average per week of 2,459 cars in the four weeks ending August 28. The number of cars received during the four weeks ending August 1 was but 52.5 per cent of the number provided for in the orders; and there was some improvement in the four weeks ending August 28 during which there was received 61.2 per cent of the number of cars required by these orders.

The Federal Reserve Agent has circularized the member banks in this district urging them to form local traffic committees to supervise the unloading of cars and to bring such pressure to bear as would be sufficient to secure prompt unloading and return of all cars in order that cars suited for grain or coal will not be unduly delayed when used to carry other forms of freight. The hearty response given to this appeal coupled with the higher demurrage charges made by the railroads will have results equivalent to a substantial increase in the available equipment of the railroads during the next few months.

FUEL SITUATION.

The problem of securing sufficient bituminous coal to meet the normal industrial needs of the Northwest during the coming winter has not been solved. A persistent effort has been made to bring the required coal up the Lakes before the close of navigation but there is no assurance at this time that this will be accomplished. The total production of bituminous coal in the United States in 1918 was sufficient to provide a surplus above consumption of 30,000,000 tons. The total production in 1919 was 40,000,000 tons short of the consumption. Production during the first 211 working days in 1920 was 51,000,000 tons better than during the same period in 1919, but also 41,000,000 tons short of the production in 1918. Conditions at the mines will therefore need to remain favorable for the remainder of the season. The particular needs of the Northwest were finally made clear to the supervising authorities who issued what is known as Order No. 10 providing for the loading of 4,000 cars per day at the mines for shipment to the Lakes. The results secured under this order have not been as favorable as were expected. For the period of six weeks from July 26 to September 4 the loadings should have been 144,000 cars but were in fact only 121,012, or a shortage of 16 per cent. The number of cars awaiting dumping into boats at the lower lake ports on September 9th was 8,554.

Of the total movement to the upper lake ports the Duluth-Superior Harbor has probably received its fair share, although the total receipts for the current year from the opening of navigation to the end of August were but 5,909,974 tons or 67.6 per cent of what had been received up to the same date in the previous year. The receipts during August, 1920, were much larger than in the same month a year ago as shown by the following report received from the United States Engineer's office at Duluth:

	Receipts during August, 1920	Receipts during July, 1920	Receipts during August, 1919
Soft coal	1,396,500	718,181	493,935
Hard coal	256,766	239,382	75,770
Total	1,653,266	957,563	569,705

To equal the tonnage received during 1919 will require an average of 53,585 tons per day to November 30th. The August receipts averaged 53,331 tons per day.

MONEY AND CREDIT SITUATION.

There was an increase in borrowing on the part of customers of banks in this district during the month of August and interest rates remained firm and unchanged as compared with a month ago. Reports from 35 selected member banks in the largest cities on September 3 as com-

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pared with August 6 indicated an increase of loans to customers of \$6,500,000 or an increase of 2½ per cent. These banks increased their borrowings at the Federal Reserve Bank to the extent of \$8,500,000 and reduced their cash in vault and reserve deposits by \$1,000,000. The Federal Reserve Bank increased its total accommodation to this district during the month of August by \$9,000,000 of which it borrowed \$8,000,000 from other Federal Reserve Banks and provided the remaining \$1,000,000 by expansion of its own loans. There was a change in the character of the paper held by the Federal Reserve Bank by an increase of \$4,300,000 in bills discounted, a decrease of \$1,400,000 in notes secured by Government securities and a decrease of \$1,900,000 in acceptances held. Note issues expanded \$2,000,000 during the month and member banks' reserve deposits were drawn down \$1,700,000. There was a slight increase in total cash reserves so that the percentage of reserve held remained practically unchanged.

The prevailing interest rate paid on commercial paper on August 31 was 8 per cent as compared with 5¼ per cent one year ago. The customers' rate at banks on the same date was 7½ per cent as compared with 5½ per cent a year ago. There is no immediate prospect of a downward change in rates as the twelve Federal Reserve Banks increased their loans and investments during the month of August in the sum of \$177,000,000 with a decrease in total reserves of \$138,000,000, thereby reducing the percentage of reserve held from 44 per cent to 42½ per cent. Should there be substantial receipts of gold from abroad they will probably be needed to build up the reserves in order to protect American business against the effects of subsequent gold exports. It is altogether probable that the exports of gold during August exceeded the imports. The total note issues of the twelve Federal Reserve Banks increased during the month of August by \$112,000,000 and the member banks' reserve deposits increased \$13,000,000.

BUSINESS FAILURES.

A tentative report by Dun's Review states that failures in the Ninth Federal District for August, 1920, were 18 in number, and \$85,515 in liabilities. As compared with last month this is an increase of 28.8 per cent in the number of failures and a decrease of 259 per cent in the amount of liabilities. As compared with a year ago there has been an increase in the number of failures of 200 per cent, and an increase of 70.5 per cent in liabilities. These figures are useful only as an index to past business conditions and must not be considered as representing current conditions.