

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

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CROP AND BUSINESS CONDITIONS

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The sharp rise in Minneapolis building permits during September is an encouraging sign of a response to a widespread and general demand for more adequate housing. While only part of the increase is attributable to residence construction, the growth of residence, alteration and repair permits during the month was encouraging. At the other centers of the district this movement is not yet felt to any considerable extent, and building statistics showed only a slight increase over the figures for the same month a year ago. Houses are extremely scarce at all the larger centers and most of the smaller towns report a demand for houses and apartments that is not being satisfied. Rents have advanced appreciably because of the demand, especially at the larger centers, and desirable houses and apartments are at a substantial premium.

Rural construction is in good volume and has been favored by a very mild fall. The demand for lumber increased during the month, but prices were about the same as those quoted in June. September records the passing of Minneapolis as a lumber producing center, the last of the saw mills having been closed down recently. Thus terminates the activities of what was in its time the largest lumber manufacturing center in the world.

Paints, oils and varnishes are in sharp demand and prices have advanced. Linseed oil and paint manufacturers expect good business for a year to come. Oil cake, which is a by-product of the linseed oil industry, is not moving actively because of the exchange situation. Previous to the war great quantities of oil cake were shipped abroad, but at the present time it is practically impossible for Northwestern manufacturers to finance any foreign business.

Wholesale trade is very active and the outlook is satisfactory. The larger houses are avoiding long commitments in the future and are feeling the effect of a nation-wide shortage of certain lines of merchandise, which is reacting in the form of high prices to distributing concerns. A number of eastern factories have reported that on account of labor difficulties and short labor schedules, they are having difficulty in making delivery of goods previously ordered and in some cases reports indicate that not more than 90% of previous sales can be delivered.

Wholesale hardware shows no particular change over last month. There are practically no price recessions in the hardware line. One leading house reports that there is small prospect of a considerable reduction in the present price levels before spring or the middle of next year.

Manufacturing concerns throughout the district are doing a satisfactory business and are practically free from labor troubles. Wage rates are very high, the demand for goods is brisk, and most concerns are optimistic concerning their winter and spring business.

In the retail market the situation is likewise very satisfactory. Twenty-five concerns in the larger centers of the district report sales as follows: Good 17, Fair 8. They report collections as follows: Good 16, Fair 2, Slow 2, Poor 1, no reports 4. Some

dealers are inclined to think there is a tendency to overbuy on the part of the public. The concerns referred to report upon the business outlook as follows: Very good 4, Good 15, Fair 6. They invariably complain of the scarcity of merchandise and uniformly report that customers seem to have plenty of money, and in cases where collections are slow, they attribute this to the desire on the part of the farmer customer to put his money into live stock before paying current bills.

The agricultural situation shows no change of importance. In the section west of the Missouri River there are some localities where feed is still scarce, although large shipments of hay and fodder have gone into western North Dakota and Montana. The eastern half of the district is in very good condition as to winter feed. Large quantities of live stock have been shipped out of Montana and there are strong indications that the return to normal conditions will be slow. Stockmen have shown a decided disposition to put their stock on the market and get clear rather than to try to carry it on the feed in South Dakota, southern Minnesota and Iowa at the present high prices. In many cases choice stock has been placed in districts farther east at an agreed rate per head for winter feed and will be returned to Montana in the spring.

Official Montana reports made later in the month indicate that on September 12th, total cattle shipments had amounted to 97,076. The State Board of Equalization takes an optimistic view and is of the opinion that on March 1st next stock raisers will still hold practically two-thirds of their herds. They also report that stock that is being held in the state is of a better grade and that low grade stock is a very appreciable factor in shipments to the market. On the basis of these statements it would appear that state officers do not expect Montana shipments to run much beyond one-third of a normal amount of cattle.

South St. Paul live stock figures for September give some support to this view. Cattle receipts showed a decrease of 13,639 rather than an increase, as might have been expected in consequence of heavy Montana shipments. Hogs and sheep, however, showed very heavy increases, the increase in the former being 23,350, and in the latter 41,949. The receipt of horses was practically double that of a year ago.

There is a general feeling in the produce trade that the price on all commodities of this class, such as potatoes, fruits, vegetables, etc., will remain high. This, in the opinion of the leading members of the trade, is not because of the scarcity of supplies or because the farmers and producers are not satisfied with the present prices. Their view is that producers, knowing that the present prices are high, and feeling that they will likely get an even better return later on, will continue to hold back and keep the apparently available produce from becoming actually obtainable. One authority submits figures which indicate that there is in storage in Minneapolis alone a quantity of produce 18 percent in excess of what was in storage last year, but that as an offset to this increase in quantity, 35 percent of the stored produce belongs to Canadian and English concerns and will not be available on the local market. This indicates an actual shortage rather than an apparent surplus. Potato commission men are inclined to think lightly of the reports of scab and rot. They maintain that while there is some shortage in the crop this year, the quality is good, except in some local sections. They report that they do not expect prices to go down or fall much below the present market quotation of approximately \$1.50 per bushel. Farmers are selling what they cannot store and many of the producers are holding back for a better market later on. There is likely to be a scarcity of Montana potatoes this year, although complete reports have not yet been received from the irrigated sections.

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One of the largest wholesale merchants in the district makes the following statement:

"While the tonnage of current sales in our particular business is extremely good and shows an increase as compared with a year ago, the tonnage figures, and not the sales in dollars and cents, are the only reliable sign of real conditions in the wholesale trade. I am not interested whether sales are running into more dollars and cents, but I am very much interested in knowing whether the yardage of goods sold, number of dozens shipped, or the tonnage of heavier goods, is below or above the same period a year ago. This is the only real indication of what the state of trade actually is. My impression, from information reaching me, is that in quite a number of lines sales based on tonnage or units are behind what they ought to be and behind the sales of last year because of abnormally high prices prevailing at this time. I do not look for early price recessions of any particular consequence and I do not believe that prices are going to go down in the sense that the general public expects them to go down, until the United States is supplied on the home market with the numerous lines of goods in which there is at present a severe shortage and until manufacturers are able to get material at more reasonable prices and fabricated under less burdensome wage scales. Material and labor are extremely high and there is a very poor prospect of being able to make goods cheaper."

The general outlook in the Ninth District is very good. Figures are produced to show some changes in the high cost of living, but the district as a whole shows no indication of much of any change from the basis that has prevailed for several months. Wage earners, in what is generally termed the "salaried class," have usually been the last to profit from advances in pay, but it is a significant indication of the very much higher rates which must be paid for services, to recognize that rates of pay in the salaried class have in very numerous cases advanced quite as appreciably as have rates in the day wage class. It is no longer possible to say that wage increases have affected a particular class or that it is the laboring class that has benefited. Wage increases have been general and compensation for personal services is almost universally substantially higher than it has ever been before. One evil that is a direct result is that those who have benefited from high rates of pay are probably spending without any particular thought as to whether the increased rate of spending bears a proper relation to the increased rate of pay or not. Daily reports from a long list of merchandise concerns indicate that the rate of buying is very much like a carnival of spending. Sooner or later conditions will compel those who are careless to amend their views, and the time will very likely come when those who have been sensible and cautious will have something to put into good opportunities, while the large class who seem at present to be leading something of a butterfly life will begin to realize that it is easy to adjust one's views to the spending of a larger income but extremely hard to amend one's habits to conform to a decreased earning power.

A return to normal conditions will unquestionably bring a considerable expansion in the progress and development of the states in this district. There are strong indications that progress within the next ten years will be very rapid and the Northwest will offer as many and perhaps better opportunities for investment than any other section of the country. There is at least no other section that has a more promising outlook. Capital will be required in proportion to the rate of progress and the amount of development. Capital that is available at home will be the first to be employed. There is, therefore, more than usual reason for thrift and prudence and systematic saving and the adoption by every individual of the "work and save" program.