

## FEDERAL RESERVE BANK OF MINNEAPOLIS

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NINTH DISTRICT

MONTHLY REPORT OF  
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The credit situation has not improved during the month. The call for loans upon all commercial banks not alone in this district, but throughout practically the whole United States, is heavy. The spring demand is being felt at the Federal Reserve Bank. Member banks in all parts of the district are freely offering paper in support of spring agricultural operations. Careful efforts are being made to discriminate in the granting of credit in order that essential business activities and agriculture may have the first call.

Member banks are quite generally adopting the policy of eliminating loans not necessary to carry on business or agricultural operations, and are advising their customers to adopt and follow a prudent and conservative policy. There is no immediate outlook for a lessened demand for money. Farming operations are active throughout the district, and farmers will be obliged to borrow heavily on account of the difficulty in marketing grain and live stock, and on account of the high wage rates for labor and the high cost of seed.

The present rather high bank rates are firmly maintained.

The key to the credit situation at the present time is the inability of the railroads to move the traffic offered. The car shortage, which was acute in December, has grown worse instead of better, and the Northwest is confronted for the first time with a condition under which it has more business to offer the railroads than they can handle. As a result, the amount of grain still in the hands of the farmers, the amount still in country elevators, and the amount still held at the terminals in Minneapolis and Duluth, does not show much change from the figures of January 1st. The movement of the last crop has been seriously interfered with by the impairment of the ability of the railroads to keep up with the volume of traffic. The movement of grain, live stock, and farm products to market has been interfered with and the usual liquidation following the crop movement has been so long deferred, there is a prospect that it may not be entirely completed until after the 1920 crop begins to move.

Country elevators are holding large amounts of grain for which cash has been paid to the farmers, and terminal elevators have an immense amount of grain that is sold for domestic use and export, but on which nothing can be realized prior to delivery, and as a consequence, it has been impossible to bring about the usual reduction of the crop financing loans. The delays have been so serious that the financial burden has backed up into the country, and farmers who have grain, live stock and other products that they are anxious to sell, are not only unable to pay their previously incurred obligations at their banks, but are obliged to go to the banks and borrow more money in order to take care of spring operations.

At this date the amount of wheat from the last crop on the farms and in country and terminal elevators in North and South Dakota and Minnesota, amounts to 29,077,000 bushels, in addition to the carry over from the previous season. There is still on the farms 7,397,000 bushels. Country elevators hold 10,900,000 bushels. During the seven weeks ending April 16, they shipped ~~5,209,000~~ bushels and received from the farmers during the same period ~~8,912,000~~ bushels. Their condition therefore did not improve during this period. Twin City terminals hold 9,000,000 bushels of wheat and Duluth elevators 1,600,000 bushels. In addition Minneapolis elevators have 8,400,000 bushels of rye, oats, barley and corn awaiting shipment. The amount of grain from the last crop other than wheat still held in the three states is probably equivalent to the wheat, or slightly more, and may be estimated at from

30,000,000 to 35,000,000 bushels. Grain awaiting movement is therefore 59,077,000 bushels, or the equivalent of 49,236 cars. These figures are taken from new and carefully prepared estimates which are believed to be accurate in all substantial particulars.

In the meantime, the demands of business have been exceptionally heavy. High prices have increased the volume of all business financing and added materially to the burden upon the banks. Active efforts are in progress to improve the transportation situation, and efforts are being made to apply emergency measures to move the accumulated grain out of the Northwest and force liquidation by this process. These measures would have an excellent prospect of success if it were not for the fact that the same kind of traffic problems the Northwest contends with are general over the entire United States. The transportation machinery is not adequate to handle the nation's business.

The increasing burden of the transportation situation and the prospect that a considerable period of time will elapse and that heavy financing will be required before it can be materially improved, has pointedly called attention to the importance of giving all possible encouragement to the early completion of the project of connecting the Great Lakes and Atlantic Ocean by the St. Lawrence route. Negotiations between the United States and Canada have been completed and hearings began at Buffalo on March 1st and will continue at different important centers until the end of June, the purpose being to gather expressions of business sentiment with regard to the undertaking. In 1916, the American railroads hauled 341,000,000,000 ton miles of freight, and in 1917 traffic had increased to 400,000,000,000 ton miles. One of the ablest American experts has recently estimated that during the coming five years \$3,000,000,000 of new rolling stock must be purchased, and an equivalent amount spent for improvements and development of the transportation system. The opening up of the St. Lawrence and Great Lakes route to ocean going steamships will cost, it is estimated, from Lake Ontario to the International Boundary \$100,000,000, and from the International Boundary to Montreal \$170,000,000, a large amount, but trifling in comparison with the \$6,000,000,000 that will be needed by the railroads irrespective of any supplemental improvement in the ability of the Nation to handle its traffic. The total fall in the distance between Lake Ontario and Montreal is 240 feet, concentrated at a few rapids, and this will necessitate large locking projects and promises to develop tremendous electric power as an incidental benefit. With the present critical situation and with the prospect that during the next five years the ability of the Northwest to market its grain crops will continue to be a problem of transcendent importance, the project of opening up a waterway through which export grain can move from the Head of the Lakes to destination without breaking bulk, and through which rail service to eastern consumers can be supplemented by increased ability of the Great Lakes to move grain due to the improved service that will follow the improvement of the waterway, becomes one deserving of the most careful consideration and vigorous support.

The spring agricultural outlook is excellent except for two weeks of weather that has not been favorable for planting and has delayed seeding operations. Soil and moisture conditions are very good over the district as a whole, and particularly in the western portion, where moisture was urgently needed. The outlook in Montana is particularly good. There have been heavy snows in the mountains and the streams which were very low last year are carrying a normal volume of water. Reports indicate that the snows and rains have gone deep into the soil and that this year there will be no shortage of irrigation water. Not much change has occurred in the acreage prospects, which still indicate about ten percent less wheat than a year ago for the district as a whole. There is considerable interest in corn, and a large acreage is in prospect.

Conflicting reports as to the stock situation in Montana have suggested an inquiry into spring conditions. On March 1st last year the cattle assessed within that state numbered 1,215,000. The most reliable figures obtainable add to this a calf crop of 200,000, or a

total of 1,415,000 cattle, out of which 450,000 were sold last year on account of drouth conditions, and 190,000 shipped out to feed, leaving a total of 775,000, out of which there has been some winter loss. The unfavorable winter conditions have added to the investment in these cattle a cost estimated at \$38,750,000 for feed, of which about 75 percent were shipped into the state. The very heavy volume of feed shipments is indicated by the figures of one of the principal lines up to January 31st, which show 10,120 cars of hay, 572 cars of corn, 592 cars of oats, 198 cars of oil cake, 421 cars of other feed, together with straw, barley, and rye, making a total of 12,143 cars, valued at \$7,062,900. Reports indicate that 1,600,000 sheep wintered at a cost of approximately \$5.00 per head, while 700,000 were shipped out last year. Stockmen are noticeably active in arranging for the return of good breeding stock, and farmers who were forced to leave to find employment for the winter because of poor crops and lack of income last year are returning to the state to engage in spring operations.

In the face of the hard conditions of the last two years, there is considerable optimism, and representative men believe that if the state can obtain the good crop which is in prospect this year, that it will readily overcome the heavy losses of the past two seasons, although the restoration of the herds will be slow and the process will involve rather heavier financing than usual.

Conditions in the general merchandise trade are good. There is considerable evidence of careful buying on the part of the retailer, and in some cases wholesalers are advising their customers to purchase only such merchandise as they have immediate use for. The retail trade is still brisk.

Building operations at eight of the principal cities of the district show an increase for March of \$1,849,259 in the face of high labor costs and very high prices of material. Builders and contractors report a noticeable slowing up in home building operations, which has reacted on the mills. All the items in the building material list are extremely high in price, which is undoubtedly having its effect in encouraging those who can to defer construction until a more favorable time. Contractors express the feeling that there will be no very material reduction in prices for some time to come, and should they occur, that construction costs will not be reduced because of further advances in labor costs which are pending. There is some scarcity of labor in the district, but no acute shortage. With the exception of three or four local and unimportant strikes, the condition is normal.

Coal miners in the western half of the district have received an increase equivalent to \$2.40 a day. This is in addition to advances made last October. In the unionized trades a number of advances are scheduled for June 1st. Coal mining operations in Montana are below normal, the output running from 65 to 80 percent.

Mining operations in the Black Hills gold region stand at from 65 to 75 percent of normal, due to the increased cost of mining and the relatively low value of gold.

The iron mining districts of northern Minnesota and northern Michigan are waiting the opening up of lake navigation. Reports from Duluth show that the harbor is clear, and it is probable that navigation will open somewhat earlier than usual this year.

Bank clearings have increased, and reports of 35 representative banks show a very moderate increase in deposits of \$154,000, and an increase of \$5,347,000 in borrowings.