

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

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Min. Nat. Soc.

DEC 5 - 1921

No. 54

August 2, 1919.

In a general way the Missouri River is the dividing line between good crops and poor in this reserve district. West of the Missouri, embracing the western counties of both North and South Dakota and the entire state of Montana, there was no relief from the continued dry weather and high temperatures throughout all of July. Montana's wheat crop failed as a result, and the loss of the dry land crops was followed by severe impairment of crops on irrigated land, due to the unusual shortage of snow in the mountains last winter, and the consequent drying up of streams that normally supply irrigation water.

Various estimates credit Montana with from 7,900,000 to 9,000,000 bushels of wheat, or a loss of approximately 30,000,000 bushels, with proportionate impairment of the production of other grains. As a result, many farmers in the northern portion of the state have already been forced to leave their farms and seek employment for the fall and winter elsewhere. Some cases of destitution have been reported, and the situation is being met by the energetic action of a special session of the Legislature called by Governor Stewart during the last week of the month, and by prompt co-operation of the Federal Government and local organizations and business interests.

Montana will need no help from the outside excepting such co-operation as is necessary to put the live stock interests in that state into touch with feeders and those having available forage in adjacent states. This is being accomplished through the establishment of a bureau under the direction of the United States Department of Agriculture at Billings, acting with a similar bureau established at St. Paul, through which organizations the problems involved through the drying up of the ranges and shortage of stock water are being met.

The Montana stock situation is more serious than the crop situation. Normal shipments before December 1st will probably be doubled this year, because of the severe shortage of both feed and water. The probable lack of suitable winter range will very likely further increase the amount of outgoing stock before the first of the year. Cattle men are making every effort to hold their calves and breeding stock, and a proportion of the outgoing shipments will be put on feed in adjacent states and returned to Montana next spring. Under special railroad rate arrangements recently effected, stock takes full rate out and one-third of the tariff for return. Special rates have also been made on concentrated feeds and forage, which will be of considerable assistance.

While the crop and stock situation is unfortunate and will entail severe loss, it is not likely to seriously affect Montana's future. It will probably stimulate the development of irrigation and may encourage the adoption of more thorough dry land farming methods. The most serious problem from the standpoint of the future is the possible depletion of high grade stock, with the result that several years may be required to bring sheep and cattle back to normal, both in number and quality.

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Wheat in North Dakota was injured by black rust just before the beginning of harvest, and the prospective yield has been reduced. In South Dakota where harvest began at a somewhat earlier date, there was some injury from rust, and some injury from high water. In both states the areas west of the Missouri River show light yields. Wheat in the southern half of Minnesota is much of it light in weight, but is of good milling quality. Crops reports from Wisconsin are favorable.

Harvest is in full swing over the district, and in many sections the grain crops have been cut. Corn prospects in South Dakota, eastern North Dakota and Minnesota are excellent, and the outlook is for a large crop that will mature well before frost.

The active movement of farm lands in the eastern half of the district during the past 60 days has attracted much attention. In southern Minnesota and eastern South Dakota, farms are selling readily at advances running all the way from \$20 to \$150 per acre as compared with prevailing prices last September. Reports indicate that about 25 per cent of the sales so far made are to farmers from Iowa, Illinois and other states to the south where a land boom is also in progress, and where farms are selling at prices which in very many cases are more than double the average values for good farm lands in the Ninth District. Out of this movement has sprung one rather questionable element. The active movement of farm land has undoubtedly resulted in some sections at least in considerable inflation of values, and in wide spread dealings on options. In many cases purchasers from the outside have given options and bought on options, with the danger that should there be a failure to exercise the first option, the second will not be closed.

Along with the considerable number of younger farmers from the farm land areas to the south who have come into the Ninth District to buy, there is considerable activity of men who are not bona fide purchasers and who have taken advantage of the situation to enter the farm land market on a purely speculative basis. It is probable that 25 per cent of the present farm land movement is not upon a sound financial basis.

The hay and forage crop in South Dakota, Minnesota and Wisconsin is extremely heavy. It is estimated that there will be a loss of at least 500,000 tons due to the scarcity of labor. During the last week of the month there was active discussion of the possibility of organizing crews in Montana and sending them east to handle large amounts of wild hay that would otherwise be wasted, with the view of shipping the baled product into the western end of the district where hay prices are high and the available supply insufficient for fall and winter requirements.

Building operations in the larger cities have fallen off to some extent over what was expected. Construction costs show no recessions of importance, and this is undoubtedly a factor that has hindered urban building operations. The lumber trade continues about the same as during the past two months. Rural construction continues to be very active, and farmers are in the market for material required for permanent improvements.

On the iron ranges of northern Minnesota, shipping conditions are fair. The labor situation is normal, and while there are no idle men, there is no demand for additional labor at the present time. Mining operators have been able to afford employment to all returning soldiers, of whom large numbers left range points during the war.

Copper mining conditions in northern Michigan are improving.

Conditions in the Black Hills remain unchanged.

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Wholesalers and retailers are both reporting very satisfactory business conditions, with the exception that the distributing trade is having difficulty in procuring merchandise from the mills. Collections and sales are both above the average. The shortage of both skilled and unskilled labor in wholesale and retail establishments is reported.

While the Ninth District has suffered an impairment of its earlier prospects, and while western stock interests are exposed to loss due to unusual weather and moisture conditions, the district as a whole is on a sound footing, and is enjoying substantial prosperity.

The business outlook is satisfactory, although some temporary slowing up may be expected in regions that have suffered from drouth.

Bank rates and financial conditions show little change.

Since the close of hostilities, a situation has been slowly developing which should cause every thoughtful man the greatest concern. The cost of living has not fallen but has shown continual advances to such a point that in the presentation of the railroad employes' demands the President was informed that five dollars at present has only the purchasing power of two dollars and fifteen cents. In Butte, Montana, during the month the comment was frequently heard from mining employes who were then engaged in wage discussions with their employers that it made little difference what settlement was agreed upon because the advancing cost of living would surely eat up any increase of pay. To the average householder the excessive cost of items entering into living expenses is continually apparent. Part of this is due to a faulty system of distribution. At the close of the month when blueberries were selling in Minneapolis for 35 cents a quart, the market at Duluth was glutted with one of the largest crops the state has ever seen. At the same time the burnt over regions contained an immense crop of fine red raspberries that were rotting for lack of someone to pick them. At that date Duluth householders were being limited to a pound or two of sugar at a time at local stores. These are minor instances of defective organization of the marketing system. On the other hand the commodities with reference to which there can be no complaint of faulty distribution or marketing, continue to maintain extremely high levels. Depreciation in the purchasing power of money is already acute, and the present tendencies are such as to indicate no early relief.

The action of the President undoubtedly will stimulate careful and thorough study of the problem, which daily acquires increasing importance. Current discussion apparently overlooks the fact that while there may be and probably are important profiteers who are taking too great a proportion of the prices of essential commodities, there are also very numerous petty profiteers who are following the same course. The problem is not one that can be solved by seeking certain shining marks or by making an example of the larger interests that are involved in the production and distribution of food should they prove guilty of conscienceless methods. It is more than likely that the excessive cost of living is due, not to the conspiracy of a few, but to the widespread practice of many thousands who are involved in the question of maintaining adequate food supplies and taking each a little more than fairness and prudence would justify. High wage rates are an equally important factor. It is therefore clear that a remedy cannot be obtained until there is a far-reaching organization that will deal not only with the cities, but with every small community and that can search out and stop the exploitation of the purchasing public. Prices cannot come down and labor remain high. The two have gone up together; they must come down together. The cost of living has gone too high. Long investigations and deferred action will not satisfy those who bear the burden, and it is likely that the appeal for relief will become general and urgent in all parts of the country.