

## FEDERAL RESERVE BANK OF MINNEAPOLIS

JUN 15 1925

NINTH DISTRICT  
MONTHLY REPORT OF CROP  
AND BUSINESS CONDITIONS

JANUARY

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There were some evidences during the month of impending changes in the very high price levels which have continued for a long period. Efforts to market merchandise have been more vigorous, sales have been more numerous, and advertising more extensive. Some price recessions have resulted, and in a limited way, there has been a marking down on certain classes of goods. The result is not so interesting in connection with any reduction of consequence in the cost of living, as it is when considered in its relation to probable conditions during the next six months. Some change has undoubtedly occurred, and indications are that it will continue, exercising a corrective influence upon high prices, and encouraging a gradual return to a more reasonable basis. Upon the other hand, there is a heavy shortage of production, and the transportation system, over the entire country, is heavily over burdened. Mills and factories are employing all the capable help they can obtain, but it is clear that a considerable period must still elapse before production catches up with the demand. Progress is undoubtedly being made, and some authorities are strongly inclined to believe that price levels by July 1 will show changes of consequence as compared with the present time.

In the Northwest, the transportation situation is serious. The amount of empty car equipment provided at terminals for the movement of grain, flour, and other important commodities, was very limited during December, and has improved to only a moderate degree since then. Country elevators, terminal elevators, and all the larger interests are in urgent need of relief. The general shipping situation is still suffering from the effects of the coal handler's strike at the Head of the Lakes, which has seriously delayed the distribution of coal to interior points. This process of distribution, in fact, has not yet been completed, and it has been difficult during the past thirty days to keep up with the demand from the country. The nation-wide coal strike created many unusual transportation problems, and necessitated shipment of railroad fuel over abnormal routes and to abnormally distant points. This drew heavily upon the car supply at a time when available car equipment was needed to handle other business, and the resulting difficulties have been reflected back into the Northwest in the form of a very light supply of empty equipment coming through the Chicago gateway into the states of the Ninth District, and small relief through the Omaha gateway. The larger cities in this district have been compelled to rely to a very large extent on such empty cars as could be obtained through the handling of incoming loads.

Improvement in the traffic situation resulting from mild weather during the latter part of December, continued during the early part of January, but was followed by heavy snows and colder weather, which although it has not impeded traffic to the same extent as before, has still put a burden on rail transportation at a time when a free movement is urgently needed.

"Sufficient work for all who care to work", using the words of a labor union official, describes the present labor situation in this district, excepting for occasional instances where owing to local conditions, employees in a particular trade are temporarily out of employment. From the labor standpoint the year should be a favorable one if the building program that is ahead materializes. Recent investigations show that at Minneapolis, St. Paul and Duluth, the three large centers of this district, the normal building program is short 12,500 residences, involving a construction cost of not less than \$40,000,000. This condition is reflected in higher rents and an advance in real estate values throughout the district in proportion to the size of the community. The shortage

of housing is proportionate to the sluggishness of construction work, and increases steadily from month to month. At the larger centers residence construction is at the present time far below normal, although there has been throughout the winter so far much activity in the construction of flats and apartments.

In labor circles there is much discussion of the cost of living, and more thoughtful men are inclined to take the position that there must be increases in wages or an increase in the purchasing power of the dollar. Radical propaganda is widespread and is making itself felt.

The industrial situation in the district remains about the same as during the past few months. Factories are running full time and booking all orders they can fill, while there is a continuous demand for a larger supply of skilled labor. Individual production is not increased to any great extent, although an improvement is noted in some of the larger concerns. A number of important industries have been giving especial attention and study to the problem of industrial relations, and in many plants new plans for closer relationship between employees and the management are being tested.

The demand for building materials is quite active. Lumber, especially, is in keen demand and hard to obtain. Oak finishing lumber is becoming scarce. Reports of difficulty in obtaining lath have been received, and factories engaged on mill work are very busy.

Lumber operations are active with a fair prospect of a normal season of production. Shipments of lumber from the West are in good volume and not much affected by the car shortage. The lumber trade does not anticipate lower prices for some time to come.

Winter operations in the mining districts of northern Minnesota, Montana, northern Michigan and the Black Hills show comparatively little change. The Black Hills district is very quiet. The copper mines of northern Michigan and Montana are active with an improved sale of copper, although still at a low price. The copper outlook has improved within the last 30 days, and the possibility of a reduction in the output on account of market conditions has largely been obviated.

Wholesalers had a satisfactory year in 1919, and without exception, report a considerable scarcity of goods. Shipping conditions have been bad during the past 30 days which has hampered trade to a considerable extent. Free movement of goods cannot be expected, in the opinion of representatives of many lines of trade, until the scarcity of many staple lines of goods can be overcome by larger production.

No material reduction in wholesale prices is apparent, and is not likely to result, in the opinion of most observers, until a more favorable labor and raw material market exists.

There is undoubtedly a very broad market ahead. Shortages which show themselves in housing accommodations at the larger centers extend to practically every commodity, and observers in wholesale lines of trade believe that people as a whole are prepared to go into the market for a considerable volume of purchases, namely, shoes, clothing, and articles of utility, as soon as the price situation is more favorable.

The agricultural outlook is good. The western half of the district has been covered with a good blanket of snow which has disappeared under warm winds, but most of the moisture has gone into the ground. The eastern half of the district is still covered by a heavy snow blanket, which is very favorable to winter wheat and rye. The seed wheat situation in the spring is causing some concern, but millers, bankers, and others interested have given the problem early attention and are consolidating the agricultural organizations in the district behind an active campaign to locate and identify all available seed and prepare for such distribution of supplies as may be required when spring planting comes around again. Much of the available seed is of doubtful germinating quality, and the larger part of the wheat received at terminal markets is light in weight and shrunken. Expert authorities are inclined to believe that the shortage will not be acute if the present plans are successfully worked out, and the sale and milling of wheat fit for seed purposes can be stopped.