

MONTHLY REPORT
CROP AND BUSINESS CONDITIONS IN THE
NINTH FEDERAL RESERVE DISTRICT.

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At the end of a successful year the Federal Reserve Bank of Minneapolis, after the payment of expenses and dividends, has been able to transfer a very substantial sum to its surplus account, while setting aside for the franchise tax fund, as provided by law, an equal sum. Proper depreciation charges have been made, and the current statement of the institution will show a very considerably improved position.

The statement does not reveal, however, that the year has brought a large increase in the protective value of the institution through the strength of the combined gold holdings of the bank and the Federal Reserve Agent. These holdings amounted at the close of 1916 to \$36,323,000. At the close of 1917, the sum had increased to \$70,334,000; and at the close of 1918, the gold holdings were approximately \$96,400,00, showing roughly about \$26,000,000 increase during the year. This extremely satisfactory result has been brought about by the active co-operation of the banks of the district, both member and non-member, which have assisted in the accumulation of this substantial reserve of the money metal, thereby adding greatly to the strength of the institution.

While there was a very active call upon the reserve bank throughout 1918, it did not at any point reach a sufficient volume to put a real strain upon its resources. The demand during the new year will likewise be active. Whatever call may result, however, from conditions in this district, we have the assurance that the strength shown in 1918 has been largely augmented, and that the supporting power of the institution to the whole banking structure in these states has been increased well beyond what would ordinarily be taken as the safety point.

Business men and bankers are looking for a good year. No conditions to cause apprehension have developed, and except for some phases of the agricultural situation, there is nothing to indicate that the prosperity which the district has been experiencing will not continue. Moisture conditions throughout the western half of the district are not entirely satisfactory and will have to show considerable improvement before the spring planting season, in order to present a guarantee of a good crop. The hope of satisfactory

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soil conditions has rested upon the amount of the winter snow-fall, and there is still ample time to obtain the moisture that will be needed to put the ground in proper condition, especially in view of the fact that the winter, until a very recent date, has been unusually mild, and in view of the fact that heavy snow-falls, which may ordinarily be expected, are yet to come.

The district as a whole has weathered the unexpected conditions brought on by the war in a very satisfactory manner. Business men and the public would be ungrateful if they did not recognize at the close of the old year the immense service that has been rendered by the commercial banks in all parts of the great area composing this district and the excellent efficiency that they have shown in taking on a very large amount of new and unaccustomed business with the public, resulting from the demands of Government financing. This business has represented no profit, but has been wholly in the nature of a service to the public. Instead of a profit, it has involved very considerable expense of such a character that no reimbursement could be made. It has meant long hours and steady application by the officers and clerks in every institution, and the handling of a multitude of small details incident to the handling of subscriptions, deferred payments and deliveries of bonds to the public.

In meeting these unaccustomed problems, non-member banks as well as those that are members have worked in the closest and most satisfactory harmony with the Federal Reserve Bank, and have shown a spirit of co-operation, without which the organization of a very complex system to handle the accounting and delivery of bonds, would have been vastly difficult.

The satisfactory financial conditions that have prevailed during the year, characterized especially by freedom from sharp fluctuations of rates, may be expected to continue. Rates continue firm, and probably will maintain the same course at least until the period of spring planting is over. Some authorities believe that firm rates may be expected throughout the entire year.

Such adjustments as may be necessary in meeting the labor situation appear to be proceeding smoothly. The district is now beginning to absorb a considerable number of returned men, with no signs so far of unemployment. To a considerable extent, the return of these men has been discounted, and a substantial proportion of those who have been in service are being dropped back into their old relations in civil life or new activities arranged for in advance. If any serious dislocation were to be expected from this cause, there would probably have been some manifestations by this time. A favorable factor lies in the character of the business of the district, which being largely agricultural, and which having been short of farm labor for a considerable period, is in a position to offer a very wide market for the labor of those who are experienced in agriculture.

Holiday trade was active everywhere, and reports indicate that it was in satisfactory volume. Business remains on an even keel, and with a good spring outlook, the district should show an excellent condition throughout the year.