

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

OFFICE OF THE CHAIRMAN
AND FEDERAL RESERVE AGENT

Minn. Hist. Soc.

DEC 5 - 1921

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All Banks and Trust Companies,
Ninth Federal Reserve District:

Your attention is urgently invited to the following facts:

THE FREIGHT CAR SITUATION.

The railroads of the United States are short at this time, about 700,000 freight cars of all types, as compared with the equipment they would have had at this date, had there been no war.

Each year there is a reduction of freight equipment of 150,000 cars, due to wrecks, fire, wear and tear, etc.

The present car building capacity of the country is about 250,000 cars per annum.

The expectation of new equipment must therefore be limited to 100,000 cars per annum (or new cars less destroyed) unless some unusual accretion can be produced. The building of new cars is very seriously hampered by present high money rates.

The percentage of "bad order" cars was never as high as now.

WHAT THE RAILROADS ARE DOING.

Railroad repair forces are hard at work trying to put cars back into service. The unions, however, object to the employment of men who have not had four years' experience as car repairers. This naturally puts a definite limit on the number of men at work on the repair tracks, and a limit on their output. All the men who can be obtained are being hired.

Motive power on northwestern grain-carrying lines is sufficient to meet the crop moving this year. Unusual efforts are being made to move traffic promptly, to increase operating efficiency, and speed up movement of loads.

In South Dakota, banks and bankers are co-operating with the railroads to cut down delays in unloading, and hurry the return of empty cars to the roads.

SUGGESTIONS TO BANKS AND BANKERS.

The figures given above indicate that seven years will be required to restore the roads to a normal freight-moving capacity. This may be discounted somewhat by the special efforts that are being put forth to secure new equipment and repair damaged cars, but competent experts do not expect normal conditions within four or five years. This emphasizes the importance of quick co-operation and help for the roads, if the Northwestern crop is going to move promptly to market. All banks know that the credit situation hinges now on the question of transportation. We have the crop, but we cannot liquidate without cars.

To effect the maximum movement of grain cars, the following suggestions are submitted with the request that they receive the careful and immediate consideration of bankers in the grain states of Minnesota, North Dakota and Montana (the situation in South Dakota being already well in hand):

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The small grains of this crop represent a traffic requirement of 521,000 cars. Corn will probably represent an additional 103,000 cars. To obtain a movement of this volume the quick release of cars arriving at destination is imperative. The officers of this bank believe the following plan of local organization will prove effective in the present emergency:

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CAR RELIEF PLANS.

1. The bankers of each community should act at once, in co-operation with the local railroad agents, in the formation of a local Traffic Committee.

2. This committee should maintain a daily check of arriving loads, with a view of encouraging consignees to make special efforts to unload and release cars at once. This will increase the supply of empties, return cars to service more promptly, and enable railroads to get the maximum service out of each car.

3. The Traffic Committee should bring all local shippers into agreement to file orders in writing on the prescribed forms, for all empties required. This will enable the railroads to more accurately gauge the car demand, and help them to render prompt service.

4. The Traffic Committee should know that the grain or commodities to be shipped are in hand and awaiting the arrival of all empties ordered. This will obviate the holding of cars idle awaiting load.

5. Bankers, through the traffic committee, will acquire accurate information of the outbound loading and should insist upon proportionate liquidation as farm products move to market. This will reduce their outstanding loans and enable them to liquidate with their correspondents and the Federal Reserve Bank.

6. Local traffic committees should keep in touch with the general traffic and car situation through their local railroad agents, who are in a position to furnish practical suggestions, and should study ways and means to expedite the movement of all traffic, not forgetting that an adequate supply of cars for other products than grain, leaves the available grain cars free to move the products for which they were intended.

EVERY CAR OF GRAIN MOVED NOT ONLY ENABLES THE FARMER TO PAY HIS DEBTS, BUT THE FARMER PAYS THE MERCHANT, THE MERCHANT PAYS THE BANKER, THE BANKER PAYS HIS CORRESPONDENT, THE PRESSURE FOR MONEY LIGHTENS, AND INTEREST RATES GO DOWN. Easier money will come more quickly through a prompt car movement, than from any other one cause.

TRANSPORTATION IS THE KEY TO THE CREDIT SITUATION.

EXCHANGE OF VIEWS INVITED.

This Bank will be glad to correspond with any bank interested in these suggestions. It will be glad to facilitate by any means in its power, the formation of traffic committees and effective work by them. Every hour of delay to freight cars at this critical period is a LOSS OF AN HOUR OF SERVICE.

This crop of small grains and corn is 201,000,000 bushels in excess of the production a year ago.

Respectfully submitted,

JOHN H. RICH,

August 28, 1920.

Chairman and Federal Reserve Agent.