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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

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MONTHLY REPORT OF CROP AND BUSINESS CONDITIONS

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What Has Been

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CROP CONDITIONS. The northwestern crop has experienced excellent development during the month, particularly in the western half of the Ninth District, where for two years crop returns have been very light. Rains have been widespread, and the dry sections in Montana and western North Dakota have received adequate moisture. The wheat crop on a somewhat reduced acreage shows an excellent stand, very good progress for this season of the year, and a thrifty growth of good color. With continued favorable weather and moisture conditions, there is inviting prospect of a yield that will substantially offset the shrinkage of acreage.

Winter wheat has suffered damage in western North Dakota and Montana, both from the poor quality of seed, and from wire worms. The flax outlook is promising. On account of damage to winter wheat a substantial amount of re-seeding with flax has occurred. The barley acreage is large, and the crop at present shows a heavy stand and good color and is in excellent condition. Rye is somewhat thin and the condition is not quite as good as that of barley. The acreage of oats is large and the crop is very promising. Corn shows a large acreage and is making rapid progress, although the planting was somewhat late and the crop has been somewhat backward. In the southern portion of Minnesota and South Dakota, the condition of corn at this date is fully up to the average, but progress has not been as rapid in northern Minnesota and North Dakota. Montana will have a larger corn acreage than usual, and the crop in that state shows a promising outlook.

In view of the severe shortage of feed in the western half of the district during the fall and winter, the grass and forage outlook is particularly satisfactory. The condition of the Montana ranges is excellent. Range grass has made a splendid growth, enabling stockmen to put cattle and sheep on range feed earlier than was anticipated.

The outlook is for a very large hay crop. Feed conditions during the winter have encouraged farmers and ranchmen to give more than ordinary attention to the planting of feed corn, millet, and other forage crops. The first cutting of alfalfa will be heavy, and the alfalfa yield promises to be very large.

Stream conditions in Montana, which created a very serious problem last year, due to the shortage of irrigation water, can hardly be improved upon at the present time. The snows in the mountains were exceptionally heavy, and all the rivers and streams are carrying ample water. The irrigation supply will be adequate for all purposes.

GENERAL BUSINESS CONDITIONS AND RETAIL TRADE. The feeling among business men generally is of a steadier and more hopeful nature than thirty days ago. The printing trades, which are usually a good index as to business expansion, report that the situation is noticeably quieter since May 15th. Labor conditions are uncertain. Several strikes in the trades are in progress at the larger centers with threats of additional labor trouble in the near future. The cutting of prices which took place last month has helped in the reduction of long stocks and improved public confidence.

The decline in prices has been sustained in such lines as shoes, silks, and ready-to-wear goods. In some of the prominent retail stores in the larger cities there has been a noticeable weakening in the system of fixed prices in these lines. The retailers throughout the district report an increase on the basis of cost prices, of net sales for May, 1920, as compared with last year of 4½%, and an increase of stocks at the close of the month as compared with a year ago of 18½%. This increase of percentage of sales over a year ago is to be accounted

for by higher prices in a few lines and a greatly augmented turn over in other lines. The recent extensive advertising campaigns carried on by the department stores has helped sales. There appears to be a tendency to buy only the necessary quantity to replenish stocks in anticipation of further price changes.

TRAFFIC CONDITIONS. The traffic conditions show very little improvement. The movement of the held-over portion of the last crop shows very little acceleration, except in the case of wheat, and it is very doubtful whether it will reach the market before the new crop begins to appear. Railway transportation difficulties have seriously affected many lines of business, and there is increasing difficulty in getting supplies of raw material. Excepting those concerns which carry large stocks of their own, all enterprises using iron and steel are severely handicapped by the difficulty of getting material from the eastern mills.

GRAIN MOVEMENT. Reports from the United States Grain Corporation on April 16th and on May 21st indicated that the WHEAT movement in the states of Minnesota, North Dakota, and South Dakota was improving in the five weeks ending May 21st, as compared with the seven weeks ending April 16th. The wheat movement from farms to elevators and mills for the seven weeks ending April 16th was 5,209,000 bushels, or an average of 744,143 bushels, and for the five weeks ending May 21st 4,272,000 bushels, or an average of 854,400 bushels. The shipments from country elevators were 8,912,000 bushels and 7,082,000 bushels for the same periods, or an increase from 1,273,000 bushels per week to 1,416,000 bushels per week. Between these two dates the reserves of wheat left on the farms (from the last crop only) decreased from 7,397,000 bushels to 4,556,000 bushels; and country elevator stocks decreased from 10,900,000 bushels to 7,600,000 bushels, while terminal stocks decreased from 9,000,000 bushels to 7,000,000 bushels. Total wheat stocks on farms, in country elevators and terminals (including Duluth) decreased from 28,897,000 bushels to 20,928,000 bushels between these two dates.

The delay in liquidation of last year's grain crops has been a matter of considerable concern to the bankers who are making advances to help the next crop. The deplorable transportation situation was discussed at various conferences, which started a movement to increase the number of empty cars suitable for grain. As early as March 16th the American Railway Association ordered 160 empty cars suitable for grain to be delivered to Minneapolis daily. Under this order results were secured as follows by weeks:

Week Ending					
May 8	May 15	May 22	May 29	June 5	June 12
413	360	340	360	494	554

The wide discrepancy between the number of cars ordered and the number received led the shippers to complain, and the Interstate Commerce Commission promulgated an order on May 25th that 500 empty cars suitable for grain and flour should be forwarded to Minneapolis daily in addition to those provided for in the order of March 16th.

Under this order the results were secured as follows by weeks (in addition to those under the A. R. A. order of March 16th):

May 29	June 5	June 12
216	1,003	1,036

Although the results have not been as large as hoped for, the number of empty cars is on the increase, and should promote more rapid liquidation of last year's grain.

Some increase has taken place in the movement of loaded cars. The Minneapolis Traffic Association reports the number of cars forwarded from Minneapolis during the month of May, 1920, as follows:

Grain, 5,300 as compared with 5,008 in the preceding month.

Flour, 3,311 as compared with 2,744 in the preceding month.

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In using the empty cars available for moving grain there has been a decided preference for moving wheat as compared with the other grains. The receipts of grain in Minneapolis during the month of May show a considerable increase as compared with a month ago in wheat, barley, and flaxseed, and a decrease in rye, oats, and corn. The grain receipts and shipments in Minneapolis for the month were reported by the Minneapolis Chamber of Commerce as follows:

Wheat receipts were 6,244,810 bushels this month as compared with 5,781,950 bushels last month and 5,004,290 one year ago. Shipments totaled 3,841,840 bushels as compared with 3,377,810 last month and 5,671,670 one year ago.

Barley receipts were 766,600 bushels this month as compared with 744,680 bushels last month and 3,679,860 one year ago. Shipments totaled 771,780 bushels as compared with 950,290 last month and 3,196,000 one year ago.

Corn receipts were 387,270 bushels this month as compared with 546,130 bushels last month and 429,910 one year ago. Shipments totaled 309,210 bushels this month as compared with 398,500 last month and 217,880 one year ago.

Rye receipts were 369,890 bushels this month as compared with 805,370 bushels last month and 1,133,380 one year ago. Shipments totaled 1,373,030 bushels as compared with 984,920 bushels last month and 3,347,480 one year ago.

Flaxseed receipts were 307,790 bushels this month as compared with 163,500 bushels last month and 436,000 one year ago. Shipments were 18,880 bushels this month as compared with 38,430 bushels last month and 42,150 bushels a year ago.

Oats receipts were 957,130 bushels this month as compared with 1,027,610 bushels last month and 1,611,370 bushels one year ago. Shipments were 1,568,250 bushels this month as compared with 1,516,680 one month ago and 1,266,300 one year ago.

Some wheat moves from this district through Chicago and Seattle. The Northwestern Miller reports on the wheat movement through Minneapolis and Duluth as follows: The average weekly wheat receipts in Minneapolis and Duluth for the ten weeks ending June 5th were 1,916,800 bushels as compared with 1,782,900 bushels for the preceding ten weeks ending March 27th, and 1,277,100 bushels the ten week period ending June 7th, 1919.

The receipts of wheat in Minneapolis and Duluth for the crop year beginning September 1st, 1919, and ending May 29th, 1920, were 110,049,000 bushels as compared with 184,649,000 one year ago and 82,890,000 two years ago. The receipts for the period ending May 29th, 1920, when compared with the estimates of the United States Agricultural Department for the total crop of 1919 of 133,227,000 bushels indicate that 83.2% of the crop had been moved by that date. This is to be contrasted with 66.5% for the 1918 crop of 277,459,000 bushels and with 45% for the 1917 crop of 183,952,000 bushels, when these are compared with the total receipts one and two years ago as heretofore mentioned.

Wheat in elevators in Minneapolis and Duluth amounted to 10,008,000 bushels on March 27th, which is to be compared with 45,012,000 bushels one year previous. The amount in elevators on April 24th, 1920, was 9,865,000 bushels, which is to be compared with 27,635,000 bushels on April 26th, 1919. The amount of wheat in elevators on May 29th, 1920, was 7,488,000 bushels as compared with 6,437,000 bushels on May 31st, 1919. This indicates a substantial reduction in the stocks of wheat in local elevators during the past five weeks, but the reduction is much less, both in amount and percentage than during the same period one year ago.

LIVE STOCK CONDITIONS. Range conditions are universally reported to be in a better condition this year than at any time in the last three years, with plenty of moisture and cattle rapidly gaining in weight. There has been a considerable reduction in the size of the herds during the past winter. Estimates have been made that 40% of the cattle died during the winter and that it cost on the average over

\$50.00 per head to feed them through the winter. There will undoubtedly be no movement until the latter part of August, unless there is a radical change in forage conditions. Estimates as to the amount of stock on the ranges vary from 35% to 55%, as compared with a year ago.

The spring lamb and calf crops are estimated about 50% of normal. Sheep shearing will not become general until the second week of June, and wool prices are not expected to be as high as last year. Wool buyers are not active and are waiting to see the fleece before making contracts. Some sheep men are holding wool back on account of the present low prices. The wool crop is estimated about 95% of normal, which, with the reduction in numbers, will make the total production about 80% of normal.

During the month of May there has been a very heavy run of hogs and sheep to the South St. Paul market and a decline in the shipments of calves and horses, as shown by the following:

Cattle, 47,379 as compared with 49,305 one month ago and 47,238 one year ago.

Calves, 35,858 as compared with 43,881 one month ago and 37,699 one year ago.

Hogs, 228,866 as compared with 171,962 one month ago and 187,131 one year ago.

Sheep, 9,492 as compared with 9,036 one month ago and 9,135 one year ago.

Horses, 271 as compared with 430 one month ago and 146 one year ago.

During the period from January 1st to the end of May, 1920, as compared with a year ago, there has been a pronounced increase in the receipts of hogs and calves and a pronounced decrease in cattle and sheep, as shown by the following:

Cattle receipts 271,939, or a decrease of 33,815 over one year ago.

Sheep receipts 108,995, or a decrease of 24,492 over one year ago.

Calves receipts 185,436, or an increase of 48,218 over one year ago.

Hogs receipts 1,104,586, or an increase of 59,474 over one year ago.

The total movement of live stock was noticeably larger than normal in May, as shown by the number of cars received in South St. Paul, which totaled 5,071 as compared with 4,463 in April and 4,769 one year ago. The total movement for the period from January 1st to the end of May, 1920, was much less than a year ago, with total receipts of 22,263 cars, which is a decrease of 4,858 as compared with a year ago.

The number of feeders shipped from South St. Paul during the month of May, 1920, were as follows:

Cattle, 22,028 as compared with 24,995 one month ago and 26,831 one year ago.

Calves, 2,439 as compared with 2,176 one month ago and 1,705 one year ago.

Hogs, 10,420 as compared with 14,367 one month ago and 6,553 one year ago.

Sheep, 2,279 as compared with 3,182 one month ago and 3,182 one year ago.

MINING ACTIVITY. Mining operators, who are dependent upon coal supplies, report shortages owing to transportation difficulties, and all mining districts indicate a shortage in the supply of men. Conditions in northern Michigan, Minnesota, and South Dakota are practically unchanged, as compared with a month ago. The production in Minnesota is estimated at 80% of mining capacity. In Montana the percentage of mining capacity in operation varies from 10% to 90%, and tonnage output for the month of May exhibits an increase of 19%, as compared with a year ago. Increased cost of production and decline in orders are generally reported from this section.

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LAKE TRANSPORTATION. Ore shipments from Duluth-Superior Harbor for May, 1920, were 3,644,746 long tons, as compared with 2,894,465 tons one year ago. The shipments for the period between the opening of navigation and the end of May were 3,869,596 tons in 1920, and 3,675,802 tons in 1919, or an increase of 5.2% as compared with a year ago.

The shipments of wheat from Duluth-Superior Harbor for the month of May, 1920, totaled about 4,000,000 bushels as compared with more than 11,000,000 bushels a year ago.

The coal receipts in Duluth-Superior Harbor during the month of May, 1920, were 465,806 short tons. The total coal receipts between the opening of navigation and the end of May, 1920, were 476,806 tons as compared with 1,893,312 tons on the same date in 1919. The receipts for the current year are therefore but 25.2% of what they were a year ago.

Freight tonnage passing through the Soo Canals during May, 1920, east bound, totaled 7,483,836 short tons; and west bound totaled 937,374 short tons; or a total movement of 8,421,210 short tons. When compared with one year ago, there has been a decrease in east bound freight during May of 411,706 tons or 5.2%, and a decrease in west bound freight during May of 1,733,410 tons or 64%, or a decrease in the total freight tonnage of 2,114,116 tons or 20%. (These figures include the freight tonnage from Port Arthur.)

LUMBER INDUSTRY. Lumber producers report that their shipments are not as heavy as usual, and give as the chief cause a decrease in home building. Industrial demand for lumber continues strong. Prices have dropped below cost in some cases. Lumber production continues unchanged. In manufactured lumber there has been a decrease in the number of new orders received compared with earlier periods, and such manufacturers report that they are working almost entirely on old orders.

BUILDING STATISTICS. Building statistics for the month of May, 1920, as reported by nine leading cities in this district, exhibit 1,764 permits, having a total valuation of \$4,430,565. The same nine cities one month ago reported 2,008 permits, having a total valuation of \$4,420,601, which indicates an increase of but 0.22% in the total valuation for the month. The same nine cities one year ago reported 1,823 permits, having a total valuation of \$4,053,055, which exhibits an increase of 9.3% in the total valuation for the current month. During the month of May the permits for the nine cities averaged \$2,511 as compared with \$2,201 one month ago, and \$2,223 one year ago.

In eight of the reporting cities the permits were classified as follows: 785 permits for new construction, and 683 permits for repairs and alterations, indicating the valuation of new construction to be \$2,347,760, and the valuation of repairs and alterations to be \$474,520.

FLOUR OUTPUT. During the five weeks ending May 29, 1920, there was a substantial increase in the production of the flour mills, in this district, as compared with the preceding five-week period, but considerably less than the production in a similar period one year ago. The Northwestern Miller reports on flour output and percentage of capacity in operation as follows:-

Minneapolis mills produced 1,327,545 barrels for the five weeks ending May 29th, as compared with 1,112,970 barrels in the five weeks ending April 24th, which is an increase of 19.2%.

Duluth-Superior mills produced 94,885 barrels in the five weeks ending May 29th, as compared with 55,215 barrels in the five weeks ending April 24th, which is an increase of 71.8%.

St. Paul mills produced 32,910 barrels in the five weeks ending May 29th, as compared with 35,100 barrels in the five weeks ending April 24th, which is a decrease of 6.2%.

Outside mills produced 823,150 barrels in the five weeks ending May 29th, as compared with 626,625 barrels in the five weeks ending April 24th, which is an increase of 31.3%.

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These four groups of mills produced a total of 2,278,491 barrels in the five weeks ending May 29th, as compared with 1,829,910 barrels in the five weeks ending April 24th, which is an increase of 24%. It is estimated that the reporting mills represent about 75% of the actual production in this district.

The percentage of capacity in operation of the Minneapolis mills for a five-week period ending May 29, 1920, was 48.4%; and in the preceding five-week period 35.8%; and one year ago 63.8%.

The percentage of capacity in operation of the Duluth-Superior mills for the five-week period ending May 29, 1920, was 47.4%; and in the preceding five-week period 33.8%; and one year ago 97.2%.

The percentage of capacity in operation of the St. Paul mills for the five-week period ending May 29, 1920, was 28%; and in the preceding five-week period 19.4%; and one year ago 49%.

The percentage of capacity in operation of the outside mills for the five-week period ending May 29, 1920, was 38.6%; and in the preceding five-week period 28.2%; and one year ago 61%.

Receipts of flour in Minneapolis during the month of May, 1920, totaled 94,866 barrels, as compared with 53,793 barrels during the preceding month, or an increase of 76%, and as compared with 126,735 barrels one year ago or a decrease of 25%. The shipments of flour from Minneapolis this month amount to 1,198,047 barrels as compared with 991,686 barrels last month, or an increase of 21%, and 1,789,956 barrels during the same month one year ago, or a decrease of 33%.

PRICES OF FOOD STUFFS. The price situation in May was not materially different from the predictions made in April to the effect that we should expect higher quotations for food stuffs such as flour and meats. The average price for flour in four of the leading markets for the five weeks ending May 29th as compared with the five weeks ending April 24th showed an increase as follows:

Five weeks ending May 29, 1920. Three weeks ending April 24, 1920.

TOP PATENT SPRING	\$15.63	\$14.58
Top Patent Hard Winter	14.63	13.60
Top Patent Soft Winter	13.61	10.56
Clears Spring	10.81	10.17
Clears Hard Winter	10.85	10.55
Clears Soft Winter	10.66	10.12

The average price per barrel of the grades here shown increased from \$11.60 to \$12.68 or 9.3% during this period. The price of live stock in South St. Paul Yards in the last week of May, as compared with the first week in May, showed increases in butcher cows and veal calves; decreases in butcher steers and lambs; and immaterial reductions in hogs and stock and feeder steers. The actual sale prices realized were as follows:

	First week in May	Last week in May
Butcher cows	ranged from \$6.50 to \$10.00	\$7.00 to \$12.00
Butcher steers	" " 7.50 to 13.50	7.25 to 12.00
Veal calves	" " 5.00 to 11.50	5.00 to 12.50
Stock and Feeder		
Steers	" " 6.00 to 12.50	6.00 to 11.25
Lambs	" " 8.00 to 19.00	7.00 to 15.00
Hogs	" " 12.00 to 14.75	12.00 to 14.35

BUSINESS FAILURES. A tentative report by R. G. Dun's Review states that failures in the Ninth Federal Reserve District for May, 1920, were 18 in number and \$163,487 in liabilities. As compared with last month, this is an increase of more than 12% in the number of failures and a decrease of more than 76% in the amount of liabilities. As compared with a year ago there has been an increase in the number of failures of 100% and an increase in the liabilities of more than 255%.

MONEY AND CREDIT SITUATION. The Statements of Condition of the Federal Reserve Bank on May 29th, as compared with May 1st, showed an increase of bills discounted for member banks of five millions and a

decrease in collateral secured loans to member banks and in acceptances bought totaling eight millions. The combined reserve increased about 1%. The discount rates were increased to take effect June 1st as follows: From 5% and 5¼% to 5½% on notes of member banks, secured by certificates of indebtedness; from 6% to 7% on commercial paper; from 5½% to 6½% on trade acceptances, from 5% to 6% on bank acceptances; and from 6% to 7% on agricultural and live stock paper.

Reports from 35 member banks in selected cities of this district on June 4th, as compared with April 30th, indicate a decrease in United States securities owned and loans secured by the same of more than four millions, and a decrease of six millions in all other loans and investments. There was an increase in their balances at the Federal Reserve Bank and cash in vault of three millions, and an increase of net demand deposits from \$220,000,000 to \$223,400,000.

The debits to individual accounts at clearing house banks in the eleven most important cities in the district for the five weeks ending June 2nd, 1920, were 804 millions, as compared with 789 millions in the preceding five weeks, and 730 millions one year ago. In the five weeks ending June 2, seven cities recorded decreases and four cities increases, as compared with the preceding five-week period. Two cities showed decreases as compared with one year ago. In view of the fact that there has been an increase in the amount of debits, and a decrease in the net demand deposits in the member banks, as compared with a year ago, it is probably reasonable to conclude that the turnover of deposits, or velocity of check circulation has increased, as compared with a year ago, from 31½ to 36½ per annum, or an increase of 16%.