

FEDERAL RESERVE BANK OF MINNEAPOLIS 179

NINTH DISTRICT

MONTHLY REPORT OF CROP AND BUSINESS CONDITIONS

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Detailed reports of crop conditions and threshing returns from all principal points in the grain growing states of the Ninth Federal Reserve District, North Dakota, South Dakota, Minnesota, and Montana, indicate the following yields for the present crop year as compared with 1919:

| | 1919 ACREAGE | 1920 ACREAGE | 1919 TOTAL PRODUCTION | 1920 TOTAL PRODUCTION |
|--------|-----------------|-----------------|--------------------------|--------------------------|
| WHEAT | 17,731,000 | 14,949,000 | 132,227,000 | 181,950,000 |
| OATS | 8,082,000 | 8,080,000 | 188,330,000 | 299,080,000 |
| BARLEY | 3,175,000 | 3,501,000 | 52,940,000 | 87,530,000 |
| RYE | 3,035,000 | 1,895,000 | 30,162,000 | 27,598,000 |
| FLAX | 1,635,000 | 1,653,000 | 8,537,000 | 14,376,000 |

The latest Government forecast indicates, in addition to the above small grains, a total production of 245,420,000 bushels of corn and 18,831,000 tons of hay for the same states.

As compared with a year ago, these states are producing an excess of 198,000,000 bushels of small grains and 3,000,000 bushels of corn, or a total of 613,000,000 bushels, representing a traffic requirement of approximately 521,000 cars. In this connection, it is interesting to note that a large number of country elevators reporting in May showed that they had received an average of 2.12 cars for the month. In June there was some improvement, and the average of reporting elevators was 2.22 cars for the month. In July, the same list of elevators averaged only two cars per month, or a less favorable average than either of the two preceding months. The situation at terminals has improved, however, due to the energetic efforts of the Interstate Commerce Commission and the railroads. The latest figures still show 7,350,000 bushels of grain of the old crop in 4,900 elevators in Minnesota, North Dakota and South Dakota, and 8,500,000 bushels of the old crop still left on the farms.

Much of the new crop has already reached market. The samples give evidence of spotted conditions. While there is a large amount of very good wheat, there is also considerable grain that is shrunken and lacking in weight. One of the most striking facts in regard to the crop is that it has emphasized as pointedly as in any preceding crop year, the fact that good grain cannot result from poor farming. Fields on one side of the road averaging four and five bushels of fair to poor wheat, while farmers on the other side produce twenty-five bushels of good wheat, have not been hard to find. In sections where there have been unfavorable weather and temperature conditions, there are numerous fields that have pulled through with a good crop, while the stubbled in and poorly cultivated farms show but a small return. It is interesting to note that in North Dakota, inquiry addressed to a selected number of farms known to be under thoroughly efficient management brought uniformly favorable reports of good yields and good quality, while many other farms in the identical localities reported poor crops. In Western North Dakota, the farms that were summer fallowed last year have produced good returns in areas where the conditions of the crop year have been none too favorable and where there has been excessive weed growth. Over the district as a whole, there is ample evidence that properly prepared and sufficiently cultivated lands have given good returns.

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The slowing up of business which was noted during the month of June has been offset to a considerable extent during the month of July by the rising tide of business confidence based very largely on the favorable prospects for the crop. Statistical indices for the month exhibit mixed tendencies. The volume of grain, flour and cattle transported has declined and only by rigorous measures was an increase in coal receipts secured. Debits to individual accounts and postal savings deposits exhibit declines. The buying power of the public appears to have reached a limit. Stringent money conditions prevail. Liquidation of merchandise has progressed very slowly. On the other hand, there has been an increase in the volume of traffic through the Soo Canal and in the valuation of new building permits. Collections generally are good. Some food prices have fallen. Flour milling and copper mining companies report decreases and lumber and iron mining companies report increases in the volume of production. There has been no shortage of labor to handle the crop; and labor conditions have improved among the industries. It appears that general business was better at the end of July than at the end of June, but this improvement was based upon the expectation that the crop would be promptly shipped and converted into cash as in past years. Transportation conditions during the next few months are the keystone to the business situation in the near future.

Building permits for the month of July indicate an increase in valuation over the month of June of 62 per cent and an increase as compared with a year ago of 31 per cent. All of the cities indicate decreases as compared with June, except Saint Paul, Duluth, Fargo and Great Falls. There was a decrease in the number of permits from 1,622 in June to 1,329 in July. The number of permits in July one year ago was 1,657.

Business failures in July as reported by R. G. Dun's Review were 14 in number and \$238,471 in liabilities. As compared with last month, this is a decrease of 33 per cent in number and a decrease of 22 per cent in liabilities. As compared with a year ago, there has been an increase in the number of failures of 133 per cent and an increase of 252 per cent in liabilities.

Bankers report a tendency to withhold cattle from market in the hope of better prices by many farmers with five to twenty head each in the states of Minnesota, North Dakota, and northern Wisconsin. In parts of Montana and South Dakota cattle are being withheld from market in order to convert the prevailing favorable grass into weight. Montana shipments will be lighter than in former years as many herds were depleted last year. Throughout the district, wool is being stored by the growers in the hope of a better market. "No buyers" is the prevailing report. More wool has been consigned by Montana growers than elsewhere.

There has been a slight improvement in the fuel situation during the month of July. The total receipts of coal at the Duluth-Superior Harbor during July, 1920, were 957,563 short tons as compared with 911,211 short tons in June. Total receipts from the opening of navigation to the end of July, 1920, have been 2,345,580 short tons. These total receipts are 44 per cent of the receipts during the same period last year, and a closer analysis shows that the receipts of anthracite as compared with a year ago are 95.7 per cent, and bituminous 36.2 per cent. (The percentages at the end of June were 92 per cent and 29 per cent respectively.) It is confidently expected that the priority order given for the rail shipment of coal to Lake Erie ports will bring about a substantial increase in northwestern receipts during the month of August.

During the month of July, prices declined substantially for the primary products of this district, including all of the grains, flour, beef, lambs, butter, potatoes and garden produce. There was a moderate increase in hogs, veal, eggs and hens at wholesale. Dun's Review reports that the following products were quoted at lower prices on August 1st than a year ago: copper, hogs, hides and wool.

There has been a very moderate amount of liquidation in this district during the month of July. Thirty-five selected member banks in the larger cities reported a reduction of customers' loans by \$5,000,000. The same banks reduced their borrowings from the Federal

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Reserve Bank in the same amount. However, the customers paid off these loans by using \$4,000,000 of deposits in the banks and the banks reduced their holdings of Government securities in order to reduce their rediscounts. The net result is that the customers of these member banks liquidated commodities to the extent of \$1,000,000 and the Federal Reserve Bank reduced its loans to all its members during the month to the extent of \$1,000,000. This exhibits about the same amount of progress as was made in the preceding month. Reserves are practically unchanged as compared with a month ago. Money rates have remained unchanged, commercial paper going at 8 per cent, and the customers' rate at the banks being 7½ per cent. One year ago, commercial paper was sold at 5½ per cent, and the customers' rate at the banks was 5½ per cent. Liquidation has not proceeded far enough to warrant an early expectation of a reduction in rates. The discount rates of this bank have remained unchanged since June 1st, 1920.

Wholesalers and retailers of lumber report that sales are practically the same as in the preceding month, while producers of lumber indicate that the quantities cut and shipped have increased about 50 per cent. Stocks on hand of producers increased during the month, while those of wholesalers and retailers diminished. Production, sales and stocks all were less than one year ago, the reduction of stocks being greatest in the case of producers.

Collection conditions in the Ninth Federal Reserve District on the whole are good. Our investigation has shown no increase in bad debts. Business men are optimistic as to the future. It is significant that business is dull in many lines, particularly in leather and automobiles and auto tires. There has been very little overstocking with consequent inability to settle obligations promptly. The majority of firms felt a tightness of money in the spring months, varying according to the trade from April to June. Collections fell off then, but in most lines recovered in July. Some report July collections as normal or the best in years. Retailers who allow sales on open account report collections normal, but where longer credits are granted on contract, the slowing up of collections is marked. Wholesalers report collections good in dry goods, hardware and farm implements. The automobile trade, on the contrary, notes a great decline. For this district, it is too early in the year to determine accurately the true condition of collections. Dealers in all lines of merchandise make datings and terms to conform in a large degree to the crop movement. October first is "the big pay-day." July and August are slack months with few collections due. A report of normal in August is not as significant as it would be in October. Business men, though optimistic, admit frankly that their collections for the year depend on a good crop and transportation facilities to market it.

Interest rates continue very firm. There is no sign of easy money in the immediate future, and it is likely that the present level of money rates will continue throughout the fall and early winter. Some authorities look for changes in commodity prices before spring, which will probably affect the money market, and current reports give some support to the view that the shortage of production will be overcome in some measure during the next six months. Still goods seem to be scarce. During the month, the Federal Reserve Bank issued a notice to all borrowing member banks that it will expect liquidation with the movement of the crop, and that as farm products seek their markets, creating a flow of money in the country, it will depend upon its members to proportionately reduce their obligations, and put themselves in shape as against spring planting time, and the demands of the coming year.

Tight money, high wage rates, and the level of prices for all building materials has created very bad housing conditions in practically all of the centers of the district. There is no sign of any general resumption of normal building operations although the building program that has been deferred is larger than any this district has ever had in prospect. Much the same conditions are true as to other lines of activity that tend toward business and industrial expansion and the development of the resources of the district. Not much relief along these lines can be expected until there has been a more substantial break in prices than has yet occurred.