

195
FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

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DEC 5 - 1921

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GRAIN MOVEMENT. Although it is estimated that about 62 per cent of the total wheat crop for the Northwest had been received at terminals by the middle of December, the total of our loans to country banks has not decreased, as would be expected, but on the contrary has increased. This estimate of wheat moved is based upon Minneapolis receipts for the crop year between August 21 and December 15 of 56 million bushels, Duluth receipts of 29 millions; wheat milled by outside mills of 16 millions, and a deduction made for Canadian receipts of more than 8 millions. Minneapolis receipts for all grains totaled about 21 millions in November as compared with more than 25 millions in October and with receipts in November a year ago of less than 17 millions. The Duluth receipts exhibit similar tendencies.

A comparison of Minneapolis receipts by cars during the first 23 days of December, 1920, with a similar period in November, 1920, and in December a year ago, follows:

| | First 23 Days of Dec. 1920 | First 23 Days of Nov. 1920 | Percent Dec. 1920 of Nov. 1920 | First 25 Days of Dec. 1919 | Percent Dec. 1920 of Dec. 1919 |
|------------|----------------------------------|----------------------------------|---|-------------------------------------|---|
| All Grains | 9,940 cars | 11,929 cars | 83.4 | 9,805 cars | 101.4 |
| Wheat only | 6,391 " | 8,779 " | 72.9 | 7,189 " | 89.0 |

Stocks of grain in Minneapolis terminals on November 27 were 16,542,000 bushels and have increased 31 per cent since October 30. The combined stocks of Minneapolis and Duluth on November 27 were 23,100,000 bushels of all grains and were 8 per cent larger than the stocks at the close of October and about 86 per cent of the total stocks held the year before. The combined wheat stocks were 9,500,000 bushels at the close of November, which was substantially the same as at the close of October.

The amount of grain that has been used by local mills increased about 8 per cent in November as compared with the preceding month but the total production in the mills is only 82 per cent of a year ago and they are operating only to 52 per cent of their capacity. The flour shipments of Minneapolis and Duluth combined were about 8 per cent larger in November than in October but only 71 per cent of a year ago.

GENERAL PRICE SITUATION. Wholesale prices for the more important northwestern products declined substantially during the month of November. The high closing price for No. 1 Dark Northern cash wheat on October 30 was \$2.17 and on November 30, \$1.55. Between the same dates there were pronounced declines in all other grains, in flour, in all kinds of livestock at the South St. Paul Stock Yards, in some grades of wool, in most of the produce sold in the Minneapolis market, and in lumber. Dun's Review in quoting minimum prices for a selected list of 22 commodities at wholesale in central national markets on December 3 as compared with October 29 shows that the decline has not been confined to agricultural products alone. There were substantial declines in serge, print cloths, silks, rubber, copper, coke, lead, white lead, pig iron, and oak; as well as in butter, wheat, flour, hides, leather, hogs and beef. The only article exhibiting an increase was potatoes. These declines which have taken place in prices are remarkably uniform when comparisons are made with relative pre-war price levels. It is apparent that the inevitable readjustment of prices following the close of a great war, has been taking place. The fact that this readjustment has come about more smoothly and with less inconvenience than at any preceding time and without a widespread financial collapse, is evidence that our economic and financial organization enjoys a solidity and strength which we have not heretofore fully appreciated.

DEC 5 - 1921 196

BANKING DEVELOPMENTS IN NOVEMBER. Our loans to member banks were reduced more than \$4,000,000 during the month. This was brought about by the return to us of \$1,000,000 of our own notes no longer required for harvesting purposes and by the receipt of eastern exchange for a sale to eastern buyers of Minneapolis municipal bonds amounting to about \$3,000,000. The total accommodation given member banks on December 3, 1920, was \$105,400,000, of which \$59,400,000 consisted of agricultural and livestock paper, and half of the remainder was loans secured by United States bonds. The 35 member banks in the largest cities collected from their customers more than six millions during the month and reduced their loans with us six and a half millions. Inasmuch as the borrowings of these city banks declined more than our total loans to all member banks declined during the month, it is evident that the banks located in the country districts received additional accommodation during the month to the extent of the difference of two millions, and this additional accommodation to country banks was extended to all sections of the district. The discount rates of the Federal Reserve Bank remained unchanged and November market rates did not change materially. Commercial paper is selling at 8 per cent as compared with 5½ last year, while customers' rate at banks is 7½ per cent as compared with 5½ per cent a year ago. The total accommodation given by this bank to its member banks had increased 34 per cent on December 3 when compared with December 5 a year ago.

BANKING CONDITIONS ON DECEMBER 23, 1920. Between December 3 and 23 this bank collected 10 million dollars of loans from city bankers in the form of rediscounted business paper and increased the agricultural and livestock loans by one and a half millions and increased the loans secured by United States bonds by 2 millions. The net reduction was sufficient to enable us to reduce our rediscounts with other Federal Reserve Banks by about 5 millions. There has been no important change between these two dates in the total amount of note issues, or interest rates. The total accommodation given by this bank to its member banks on December 23 had increased more than 19 per cent as compared with December 23 a year ago.

LIVESTOCK. The receipts at South St. Paul in November increased 32 per cent over October and were slightly larger than a year ago. This increase in volume of shipments coupled with the prevalence of poor and common grade cattle, increased offerings in poultry, slackened country demand for stockers and feeders, inadequate stock cars for shipping purposes, and low prices in the eastern markets, account for a great decline in the prices realized. The big day of the year in cattle was November 15 when 25,657 head, exclusive of calves, were received. More feeders were shipped in November than in October but about 10 per cent less than a year ago. Hog receipts in November were 42 per cent larger than in October and only slightly better in quality. During the week of November 24, there was a phenomenal decline in hog prices, bringing them considerably lower than when the United States entered the war. The increase in receipts of all kinds of cattle in November brought the total for the year from January 1 up to the total receipts for a similar period in the previous year.

BUILDING AND LUMBER. Building operations measured by the number and valuation of permits declined in November to about two-thirds of the October volume. A more striking contrast is shown with the figures of a year ago, the valuation of current permits having declined to 33 per cent of November, 1919. The cities of Great Falls, Missoula and Fargo exhibited substantial increases despite the general downward tendency.

Reports from a selected list of lumber manufacturers and retailers covering operations for November, indicate substantial declines in lumber cut, in shipments by manufacturers and in sales by retailers. In a comparison made with a year ago for these same companies, it appears that there have been substantial declines in shipments of manufacturers, in sales of retailers, in lumber cut, and in the number of men employed, but there were increases in stocks on hand, both for manufacturers and retailers.

LAKE TRANSPORTATION. Inter-lake navigation closed December 13 with a total tonnage of iron ore shipped from upper lake ports from the opening of navigation of 58,527,226 tons which is 24 per cent larger

DEC 5 - 1921 197

than during the preceding season and 22 per cent larger than the 10-year average from 1909 to 1918 inclusive. The total coal tonnage received at the Duluth-Superior Harbor from the opening to the close of navigation totaled 9,030,696 tons which was 102 per cent of the receipts in 1919 and 79 per cent of the receipts in 1918, and about 92 per cent of the average yearly receipts from 1915 to 1919. Exceptionally favorable weather conditions at the end of the season made it possible to overcome some of the deficiencies of the spring months. The season's receipts of coal when added to the stocks on hand at the opening of navigation in 1919 were 11,330,000 tons, and for 1920 but 9,170,000 tons. The shortage is greatest for bituminous coal, amounting to 1,900,000 tons. Freight tonnage passing through the Soo Canals in November was less than three-quarters of the October volume but nearly double that of a year ago.

COPPER MINING. Copper production in November was substantially the same as in October, but only 80 per cent of a year ago. Lack of export demand and low prices account for this decline. The number of men employed in these mines in November was about 88 per cent of October and 81 per cent of a year ago. After due allowance is made for the richer quality of some of the ore, it is evident that increased efficiency has taken place in the labor force. Wage reductions were quite general in the Michigan section.

GENERAL BUSINESS CONDITIONS. The general situation as to changes which took place in the volume of business and in the price level during November may be measured by the volume of payments made through clearing house banks in the eleven most important cities of this district. The average volume per week during the five weeks ending December 1 as compared with four weeks ending October 27 indicated a decline of 9 per cent. Some of this decline may be considered as seasonal because a comparison of similar periods last year indicated a decline of four per cent. In spite of the general downward tendency, the city of Great Falls recorded a substantial increase. As compared with November a year ago, these payments through banks exhibit an increase of 5 per cent, owing to increases in the cities of Aberdeen, Duluth, Great Falls, Helena, Superior and Winona, the greatest increase being recorded in Duluth where the volume had doubled.

Statistics of business failures are valuable only as an index to past business conditions and do not furnish a reliable barometer as to future conditions. However, the developments of business failures in November are interesting as they indicate definitely that losses on inventories have been exceeding profits on turnover. The number of failures in the Ninth Federal Reserve District for November was 37 as compared with 16 in October and as compared with 6 in November a year ago. The total liabilities of the failures in November were \$1,235,000 as compared with \$84,000 in October, and as compared with \$108,000 in November a year ago.

Retail trade enjoyed an increase in sales during November as compared with October, and owing to the fact that stocks were lower, there was an increase in turnover. Both stocks and sales measured in dollars rather than in quantities were larger than in November a year ago.

SUMMARY FOR THE MONTH. November when compared with October was a month of declines in the production of lumber and copper; in building; in the transportation of grain, ore, and coal; in the number of men employed in the extractive industries; and in prices. There was some increase in the production of flour, the movement of livestock, and in the sales of retail stores, but the declines predominated as shown by the volume of payments through the banks.

SUMMARY OF CONDITIONS IN NOVEMBER, 1920, AND A YEAR AGO. This year has witnessed in November a much larger movement of grain, livestock, iron ore and coal than a year ago, but production declined in flour, lumber, copper and building. Stocks of grain are lower than a year ago and all prices are lower, but bank loans and interest rates are on a much higher level. The increase in transportation of commodities evidently exceeds in importance the decrease in production and manufacturing, as the total payments through banks increased over a year ago. Both sales and stocks of retailers, when measured in their dollar values, were larger than a year ago.