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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

MONTHLY REPORT OF  
CROP AND BUSINESS CONDITIONSJOHN H. RICH  
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DEC. 5 - 1921

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## AUGUST

Midsummer indications that the Missouri River would be the dividing line between good crops and poor crops in the Ninth District were considerably modified by conditions during the first half of August, and the area in which crops are poor or only of fair quality was extended farther eastward. There is no part of the district which can be said to have a good wheat crop although there are some localities in which the returns from threshing are satisfactory. South Dakota, southern Minnesota, and Wisconsin all report a light average yield, and much of the wheat is light in weight. Southern Minnesota and Wisconsin wheat, and much of the wheat from South Dakota is of good milling quality in spite of the deficiency in weight. Other small grain crops are also below normal. In Minnesota, oats are light in weight and the yields are poor. Barley is of poor weight and rye is a fair to poor crop. In Wisconsin reports indicate a yield of about 35 bushels of oats per acre, a normal rye crop, with a potato crop only about 50 per cent of normal. Rye in North Dakota is very short and was severely damaged by grasshoppers. Flax is poor and wheat in the western parts of the state ranges from small yields to a complete failure, although somewhat better in the eastern part of the state. Wheat yields in South Dakota are light with Durum wheat showing a better average than other varieties. Barley and oats are fair crops. Farmers report that they are not overly anxious to sell their crops or stock in anticipation of higher prices.

Throughout the entire corn growing portion of the district the outlook for this crop is very good. The hay crop is excellent, and in Minnesota and Wisconsin is heavier than for a number of years.

Some hog cholera is reported in North Dakota, and in the eastern part of the state the indications are that only a limited amount of stock will be fed for market. There is a sufficient amount of rough feed to carry stock through the winter.

Grain is beginning to move in good volume to terminals and receipts have been very satisfactory.

Local rains early in the month throughout all but the northern part of Montana were of some benefit but were insufficient to materially change the outlook. Live stock shipments have been very heavy, and the farmers and ranchers have been anxious to dispose of cattle and sheep, fearing a severe winter, which, with the shortage of feed, would place them in a serious situation.

Harvest returns from sections that had a sufficient crop to make it worth while to harvest the grain are uniformly small. Dry weather during the last half of the month has seriously hindered fall plowing and the seeding of winter wheat.

The apple crop in the fruit districts is very good.

The live stock movement at the South St. Paul market during August reflects drouth conditions in the western half of the district. The increase of hogs and sheep is especially heavy. Cattle receipts were 97,967, an increase of 3,358 during the month; calves, 24,688, an increase of 4,619; hogs, 88,213, an increase of 31,726; sheep, 86,239, an increase of 62,611; with moderate increases in the receipts of horses, and a substantial increase in the number of cars.

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Wheat in North Dakota was injured by black rust just before the beginning of harvest, and the prospective yield has been reduced. In South Dakota where harvest began at a somewhat earlier date, there was some injury from rust, and some injury from high water. In both states the areas west of the Missouri River show light yields. Wheat in the southern half of Minnesota is much of it light in weight, but is of good milling quality. Crops reports from Wisconsin are favorable.

Harvest is in full swing over the district, and in many sections the grain crops have been cut. Corn prospects in South Dakota, eastern North Dakota and Minnesota are excellent, and the outlook is for a large crop that will mature well before frost.

The active movement of farm lands in the eastern half of the district during the past 60 days has attracted much attention. In southern Minnesota and eastern South Dakota, farms are selling readily at advances running all the way from \$20 to \$150 per acre as compared with prevailing prices last September. Reports indicate that about 25 per cent of the sales so far made are to farmers from Iowa, Illinois and other states to the south where a land boom is also in progress, and where farms are selling at prices which in very many cases are more than double the average values for good farm lands in the Ninth District. Out of this movement has sprung one rather questionable element. The active movement of farm land has undoubtedly resulted in some sections at least in considerable inflation of values, and in wide spread dealings on options. In many cases purchasers from the outside have given options and bought on options, with the danger that should there be a failure to exercise the first option, the second will not be closed.

Along with the considerable number of younger farmers from the farm land areas to the south who have come into the Ninth District to buy, there is considerable activity of men who are not bona fide purchasers and who have taken advantage of the situation to enter the farm land market on a purely speculative basis. It is probable that 25 per cent of the present farm land movement is not upon a sound financial basis.

The hay and forage crop in South Dakota, Minnesota and Wisconsin is extremely heavy. It is estimated that there will be a loss of at least 500,000 tons due to the scarcity of labor. During the last week of the month there was active discussion of the possibility of organizing crews in Montana and sending them east to handle large amounts of wild hay that would otherwise be wasted, with the view of shipping the baled product into the western end of the district where hay prices are high and the available supply insufficient for fall and winter requirements.

Building operations in the larger cities have fallen off to some extent over what was expected. Construction costs show no recessions of importance, and this is undoubtedly a factor that has hindered urban building operations. The lumber trade continues about the same as during the past two months. Rural construction continues to be very active, and farmers are in the market for material required for permanent improvements.

On the iron ranges of northern Minnesota, shipping conditions are fair. The labor situation is normal, and while there are no idle men, there is no demand for additional labor at the present time. Mining operators have been able to afford employment to all returning soldiers, of whom large numbers left range points during the war.

Copper mining conditions in northern Michigan are improving.

Conditions in the Black Hills remain unchanged.



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Wholesalers and retailers are both reporting very satisfactory business conditions, with the exception that the distributing trade is having difficulty in procuring merchandise from the mills. Collections and sales are both above the average. The shortage of both skilled and unskilled labor in wholesale and retail establishments is reported.

While the Ninth District has suffered an impairment of its earlier prospects, and while western stock interests are exposed to loss due to unusual weather and moisture conditions, the district as a whole is on a sound footing, and is enjoying substantial prosperity.

The business outlook is satisfactory, although some temporary slowing up may be expected in regions that have suffered from drouth.

Bank rates and financial conditions show little change.

Since the close of hostilities, a situation has been slowly developing which should cause every thoughtful man the greatest concern. The cost of living has not fallen but has shown continual advances to such a point that in the presentation of the railroad employees' demands the President was informed that five dollars at present has only the purchasing power of two dollars and fifteen cents. In Butte, Montana, during the month the comment was frequently heard from mining employees who were then engaged in wage discussions with their employers that it made little difference what settlement was agreed upon because the advancing cost of living would surely eat up any increase of pay. To the average householder the excessive cost of items entering into living expenses is continually apparent. Part of this is due to a faulty system of distribution. At the close of the month when blueberries were selling in Minneapolis for 35 cents a quart, the market at Duluth was glutted with one of the largest crops the state has ever seen. At the same time the burnt over regions contained an immense crop of fine red raspberries that were rotting for lack of someone to pick them. At that date Duluth householders were being limited to a pound or two of sugar at a time at local stores. These are minor instances of defective organization of the marketing system. On the other hand the commodities with reference to which there can be no complaint of faulty distribution or marketing, continue to maintain extremely high levels. Depreciation in the purchasing power of money is already acute, and the present tendencies are such as to indicate no early relief.

The action of the President undoubtedly will stimulate careful and thorough study of the problem, which daily acquires increasing importance. Current discussion apparently overlooks the fact that while there may be and probably are important profiteers who are taking too great a proportion of the prices of essential commodities, there are also very numerous petty profiteers who are following the same course. The problem is not one that can be solved by seeking certain shining marks or by making an example of the larger interests that are involved in the production and distribution of food should they prove guilty of conscienceless methods. It is more than likely that the excessive cost of living is due, not to the conspiracy of a few, but to the widespread practice of many thousands who are involved in the question of maintaining adequate food supplies and taking each a little more than fairness and prudence would justify. High wage rates are an equally important factor. It is therefore clear that a remedy cannot be obtained until there is a far-reaching organization that will deal not only with the cities, but with every small community and that can search out and stop the exploitation of the purchasing public. Prices cannot come down and labor remain high. The two have gone up together; they must come down together. The cost of living has gone too high. Long investigations and deferred action will not satisfy those who bear the burden, and it is likely that the appeal for relief will become general and urgent in all parts of the country.