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MONTHLY REPORT
CROP AND BUSINESS CONDITIONS IN THE
NINTH FEDERAL RESERVE DISTRICT.

SEPTEMBER

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A well defined tendency to hold back wheat and other grains, coupled with moderate deliveries at terminals, has permitted the crop movement, so far, to be handled very largely on the farmers' money, and the demand upon the banks at the principal centers, has not been as heavy as might have been expected. The Federal Reserve Bank of Minneapolis has issued less crop moving currency than was anticipated.

A second notable characteristic of the situation during the month is that the demand from the agricultural sections is rather light. Country banks are in good condition, and have not been rediscounting on such a scale as the partial failure of the crop would suggest. The judgment of experienced observers, that the high prices that have been prevailing, are compensating, to a considerable extent, for the shortage in the grain crop, is undoubtedly correct. Old crop wheat, and what has been marketed of the new crop, has commanded very unusual prices, and the market price for practically everything else the farmer has to sell at this season, is likewise high.

Favorable progress of the flax crop in the northwestern states, and the maturity of a considerable portion of the corn crop, are important features of the agricultural developments during the month. The yield of flax will be about the average for the northwestern states. The quality will be high, and the flax harvest is in progress under favorable conditions.

In Wisconsin, the southern half of Minnesota and South Dakota, the greater portion of the corn crop has already matured, and is of good quality. In parts of North Dakota, a great deal of good corn will be harvested. In the northern half of Minnesota, and the northerly sections of Wisconsin, there will be some soft corn, and the yield will be spotted, because of the fact that the fields on low ground are subject to excess moisture, and have not made the progress that was expected.

The results of threshing, and the shipments so far made to the terminal markets, both indicate that the damage to wheat was not over-estimated. Much of the new crop which is now coming in is light in weight, and of such poor quality that it cannot be used for milling purposes. Available milling wheat is therefore reduced. The same holds true, to a considerable extent, as to receipts of barley, much of which is of light weight and so thin that it is not available for malting purposes, and will be used for feed.

In some sections of the grain territory, wheat has been cut that will not be harvested, and in many instances, the crop showed such poor quality that no attempt was made to cut it. An unfortunate feature of the situation is that many fields are over-grown with weeds, and the farmers have

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not been able to do enough plowing to prevent the foul stuff from maturing to a point where the seeds will germinate. This presents an unfavorable outlook, and the farmers will have difficulty next year in cleaning up the fields, which because of excess moisture, have been over-run by weeds.

The hay crop throughout the district is unusually heavy and of good quality. Clover and alfalfa has yielded well. There is an immense amount of feed, which will be of assistance to farmers who have gone into stock raising, and in the districts where stock raising is an important factor, the farmers will be prosperous and will go into the winter in good shape. In the areas given over to grain raising, conditions will not be so good, although those who have held over wheat from last year's crop have been able to market it at very high prices, and to a considerable extent, offset the loss of revenue due to poor yields this year.

Over the greater portion of the district, a very large amount of fall plowing has been done. There has been considerable rain during the month, which has interfered with fall work on low-lying ground, and has, to some extent, hampered threshing. The poor quality of this year's wheat crop has already provoked considerable discussion as to an adequate supply of seed wheat for use next spring. Farmers organizations are already taking steps to provide against a prospective shortage.

The very high wheat prices have caused a general advance in flour, which has in turn had a tendency to hold down buying. Large buyers and users of flour are carrying short stocks, and purchasing very cautiously. The consensus of opinion is that wheat prices will remain high, although they may recede somewhat from the present level.

The Government reports give an average yield for Minnesota of 7.6 bushels of wheat per acre; North Dakota 5.6 bushels; South Dakota 6.6 bushels, and Montana 21.4 bushels. The grain trade is inclined to accept the Government estimate of 94,405,000 bushels for Minnesota, North and South Dakota, although some authorities believe that the yield will go as high as 100,000,000 bushels. Even at this figure the crop is 189,000,000 bushels short of the crop a year ago. The short crop will have some effect upon milling conditions at local points in the country, and some of the smaller mills are already preparing to shut down on account of a shortage of wheat of milling quality.

The rather unfavorable crop situation has not appreciably changed the general business outlook. Concerns engaged in the distribution of staple articles are doing a good business, and trade at local points is holding up well. Sales of automobiles are reported to have fallen off, and the farm machinery business has suffered to some extent in the sections given over to grain production. Local merchandising at the larger centers is brisk, and shows good gains over last year.

Banking conditions over the district are favorable. At the larger centers deposits show the effect of the seasonal movement of the crop, and have fallen off, while loans and discounts are increasing. Clearings have increased as compared with a month ago.

The call of September 12th showed St. Paul and Minneapolis banks with combined deposits of \$236,069,000, an increase of \$11,838,000 over the call of June 30th. Loans and discounts were \$176,846,000, an increase of \$6,647,000. Cash resources were

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\$71,216,000, an increase of \$6,088,000. Deposits at outside points in the district were shown to be large, and the call found the banks generally in excellent condition. The call indicates that the banking position of the Ninth District is very strong, and that member banks are in an excellent position to meet any call that may be made upon them on account of the movement of this year's crop. Crop moving demands have so far been considerably less than a year ago, and the amount of grain received at terminals has been small, due both to the disposition of the farmers to hold grain, and the reduced yields.

Rates show little change, and hold at about the same level as during the past six weeks. The banks have so far been able to meet the crop movement demand without difficulty. The demand for currency for shipment to country points is not as heavy as a year ago.

Construction is very active at all the urban centers. Industrial concerns are still doing a good volume of business, and have had no difficulty in taking on new business to compensate for contracts now in process of completion. The general outlook is considered to be good, and it is believed that during the remainder of the year, the district as a whole will show a prosperous condition, and that trade will continue in good volume.