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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

Min. Hist. 800

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MONTHLY REPORT OF CROP AND BUSINESS CONDITIONS

DEC 5 - 1921

NOVEMBER

GRAIN MOVEMENT. About 46 per cent of the total wheat crop of 148 million bushels for the Northwestern states had been marketed by the second week of November. This estimate is based upon receipts for the crop year of about 43 million bushels at Minneapolis and about 23 million bushels at Duluth, plus about 8 millions taken by outside mills. These figures are subject to a deduction of about 5½ million bushels for wheat received from Canada. Receipts in October, with suitable deductions for Canadian imports, were about 5 per cent larger than for the same month a year ago and were about 3 per cent less than during the month of September. That such a quantity of wheat could move without producing marked liquidation is explained by the fact that a considerable portion of the receipts at terminals is covered by storage tickets and represents wheat which is not yet sold. Receipts of all grains at Minneapolis in October amounted to 25,367,870 bushels or 8 per cent greater than during the preceding month. Receipts of flax were more than double. The disposition of farmers to hold grain has been a pronounced factor in preventing normal liquidation throughout the entire district, and the inclination is to deliver grain at country points on storage tickets in the hope of a better market. Since the last report the course of all grain prices has been downward, and the grain held has already suffered considerable depreciation in value.

A comparison of Minneapolis receipts by cars during the first 25 days in November, 1920, with a similar period in October, 1920, and in November a year ago, follows:

	First 25 days of Nov. 1920	First 25 days of Oct. 1920	Nov. 1920 of Oct. 1920	First 25 days of Nov. 1919	Nov. 1920 of Nov. 1919
All Grains	12,921 cars	14,712 cars	87.9	10,177 cars	127.2
Wheat only	9,359 "	10,502 "	89.1	7,614 "	122.9

Stocks of grain in Minneapolis terminals on October 30 were 12,700,000 bushels and had doubled between October 2 and October 30. The combined stocks of Minneapolis and Duluth on October 30 were 21,400,000 bushels of all grains and were 50 per cent larger than the stocks at the close of September, but only three-fourths of the total stocks held a year ago. The combined wheat stocks, however, doubled during October; and at the end of the month were 9,300,000 bushels, and practically equal to those of a year ago.

AGRICULTURAL PRODUCTS. There is a tendency to over-emphasize the importance of grain as a cash crop in the Northwest. The production of vegetables and dairy products has been very satisfactory this year as compared with last. The total production of potatoes in four states is estimated at about 48 million bushels as compared with about 43 million a year ago. The State of Minnesota alone produced in the whole of the year of 1919 more than 143 million pounds of butter for the commercial market at a valuation of more than 80 million dollars. The cheese production was probably not less than 7 million pounds, with a valuation of not less than 2 million dollars. The total crop of apples in Minnesota this year is estimated at 1,462,000 bushels as compared with 1,365,000 bushels the preceding year, and the State of Montana has produced 1,155,000 bushels as compared with 1,289,000 bushels a year ago, or a total decrease for these two states of but 1.3 per cent.

The grain crops have not varied materially in their final results from the estimates made last month. The amount of corn that has been used for silage in North Dakota is estimated by Government bureaus to be about 21 per cent of the total corn acreage, and in Montana about 7 per cent.

In addition, Montana utilized 35 per cent of its corn acreage for forage and fodder, and about 6 per cent for grazing.

GENERAL PRICE SITUATION. The public has talked more about the general decline that took place in agricultural prices during the month of October than about any other business development of the month. Prices of all grains except barley declined in October, and the declines have continued into the month of November. All live stock prices, except mutton and lambs, declined in October and the declines have continued into November. Probably this is the most significant development of the month. Wholesale produce prices in the Minneapolis market declined in October for meats, dry vegetables, and dairy and poultry products other than eggs. Prices of Douglas fir for building purposes declined from 7 to 19 per cent for the various grades. Dun's Review in quoting minimum prices on October 2 and October 29 for a selected list of 18 basic commodities entering into the manufacture of other articles as raw materials, showed declines in wheat, sugar, beef, hogs, hides, leather, rubber, copper, spelter, lead, and pig iron; and of three selected textiles there were decreases in serge and print cloths.

BANKING DEVELOPMENTS IN OCTOBER. Interest rates have been firm and practically unchanged during the month. Commercial paper is selling at 8 per cent as compared with $5\frac{1}{4}$ per cent last year, while customers' rate at banks is $7\frac{1}{2}$ per cent as compared with $5\frac{1}{2}$ per cent a year ago. The Ninth Federal Reserve Bank, by borrowing from other Federal reserve banks, was able to increase its accommodation to members about 5 million dollars during the month. Of this increase in total accommodation about one million dollars was taken in the form of note issues to facilitate the crop movement. All of this expansion of loans has been absorbed by country districts. A special investigation made on October 20 showed that the loans of Twin Cities' banks to their country customers were about 40 millions more than a year ago, while the deposits of country banks with them had been drawn down about 35 millions as compared with a year ago. The net result indicates a movement to country districts of 75 million dollars more than a year ago. On the same date these same Twin Cities' banks had borrowed from the Federal Reserve Bank about 71 million dollars, showing that the proceeds of their rediscounts with this Bank have been flowing to the country districts. Reports received from 35 selected member banks in the larger cities indicate an expansion in investments and loans to customers of more than 8 million dollars during the month, of which they borrowed about 5 millions from the Federal Reserve Bank. Apparently the liquidation of United States Bonds, which has been going on for some time, has come to an end, for there was a slight increase in such holdings during the month. The reports of these 35 selected member banks as compared with a year ago indicate a substantial decline in demand deposits amounting to 69 millions, a small gain in time deposits amounting to ten millions, an increase in rediscounts with the Federal Reserve Bank of 50 millions, a reduction of bills payable to the Federal Reserve Bank of 18 millions, a reduction of reserve deposits with the Federal Reserve Bank of 4 millions, and sales of United States bonds of 29 millions. Similar changes took place in the combined totals of all state banks in the State of Minnesota during the same year, which indicates that the tendencies shown prevailed under both country and city conditions.

BANKING CONDITIONS ON NOVEMBER 26, 1920. A comparison of the statement of condition of the Ninth Federal Reserve Bank on November 26 with that of November 5 shows a decrease in the total accommodation given the Ninth Federal Reserve District of $1\frac{1}{4}$ million dollars, although nearly one million was borrowed from other Federal reserve banks. Note issues declined more than one million and member banks' reserve deposits increased slightly. Owing to the larger amount of currency in transit at this time of the year, gold reserves decreased about three million dollars. The total accommodation given to the District on this date was about 108 millions. The combined reserve percentage was 39.5 per cent. Interest rates remained unchanged.

MILLING AND FLOUR MOVEMENT. The production of flour mills in this District for the 5 weeks ending October 30 improved 28 per cent as compared with the 5 weeks ending September 25. All mills participated in this increase and the Duluth-Superior mills doubled their September production in October. The total production for all mills was less than three-fourths of the total during the same period a year ago.

Flour receipts and shipments at Minneapolis and at Duluth indicate similar changes. The Minneapolis receipts are 12 per cent larger and shipments 18 per cent larger in October than in September. The Duluth receipts are 47 per cent larger and shipments 65 per cent larger in October than in September. October, 1920, shipments in Minneapolis are 68 per cent and in Duluth 70 per cent of the amounts shipped one year ago.

LIVE STOCK. During the month of October there were heavy runs from the West and grass-fed cattle predominated at all times. The quality of cattle received at the South St. Paul market was the poorest for a number of years for this season of the year. The feeder business did not show as much volume as last year. An increase in receipts, lowering of prices of grain and other commodities, and the unsettled labor situation in England, which was expected to curtail exports, were the factors contributing to the slump in hog prices. The strength in mutton, sheep, and lambs was due to a decrease in receipts in leading western markets, a realization that the run of satisfactory Westerns was drawing to a close for the season, and the expectation that the cumulative shortage so far this year will not be made up. The demand for stock cars in the Northwest has been very heavy and serious complaint has been made of shortage in some places. This situation has been recognized by the Interstate Commerce Commission by authorizing a preferential handling of stock cars; and shippers have been urged to assist the release and movement of such equipment. In allotting the limited number of stock cars that are available the railroads have probably shown a preference for moving range cattle in order to anticipate the coming of severe weather; and this policy is commendable. The October reports of the South St. Paul Stock Yards covering receipts and shipments indicate a movement in hogs more than double that in September and 22 per cent larger than in October a year ago. When the total movement of all live stock is measured by the total of cars, the October increase over September is 10 per cent and the decrease from a year ago is 22 per cent. Cumulative receipts from January 1 to October 31 indicate a total movement somewhat less than last year. The October shipments of feeders from South St. Paul were but 75 per cent of October a year ago.

BUILDING AND LUMBER. Building operations when measured by the number of permits granted in the nine largest cities in this District, improved in October as compared with September. The increase in number of permits was about 5 per cent and the increase in valuation about 43 per cent over the preceding month. However, this increase has not been sufficient to bring the October total up to more than about 75 per cent of that in the preceding year.

When the permits are analyzed according to the several cities, it appears that there was a substantial increase in the number of permits in October over September in Duluth and Great Falls, and a substantial decrease in Minneapolis and St. Paul. The valuation increased in all the cities in October as compared with September except in Superior, Missoula, and Grand Forks, where substantial declines were evident.

Reports for October from a selected list of lumber manufacturers and retailers indicate that lumber cut, and shipments by manufacturers, and stock held by retailers, declined; while stocks of manufacturers and sales of retailers increased as compared with the preceding month. When the October figures are compared with a year ago, striking differences occur only in the reduction of manufacturers' shipments to about 40 per cent, and retailers' sales to about 60 per cent of the amounts prevailing a year ago.

MINING. Copper production in October was about 94 per cent of that in September and about 67 per cent of that in October a year ago. The volume of production has been affected by a decrease in the export demand for metal, although transportation and labor conditions have been satisfactory.

Iron ore shipments from the upper lake ports during the month of September totaled 8,848,986 tons, which is practically equal to the movement in September and fully 40 per cent larger than October a year ago. The cumulative total of shipments from the opening of navigation to October 31 was more than 20 per cent greater than a year ago.

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LAKE TRANSPORTATION. The volume of lake traffic when measured by freight tonnage passing through the Soo Canals increased 11 per cent in October over September; the increase being greatest in the West bound traffic.

Coal receipts in Duluth-Superior harbor for the month of October were 1,831,836 tons, or 56 per cent more than in September and about 20 per cent larger than a year ago. However, the cumulative receipts from the opening of navigation to October 31 were 14 per cent less than a year ago.

GENERAL BUSINESS CONDITIONS. There has been an increase in the volume of business in October as compared with September. The average amount of debits to individual accounts per week in clearing house banks in 11 of the most important cities in this District for the four weeks ending October 27, as compared with the five weeks ending October 1, increased 17 per cent and was also 11 per cent larger than a year ago. Owing to the general decline in prices known to have taken place during the month, these debits to individual accounts in October were largely a measure of increases in volume and turnover. Business failures in number and amount of liabilities did not vary to any marked extent in October as compared with September, although the liabilities were about 30 per cent larger than a year ago.