

FEDERAL RESERVE BANK OF MINNEAPOLIS
NINTH DISTRICT
MONTHLY REPORT OF CROP
AND BUSINESS CONDITIONS.

DECEMBER

While the volume of holiday trade throughout the Ninth District has been large, there are evidences of a more conservative tendency on the part of the buyers. In the larger cities, the usual large throngs of Christmas shoppers have kept the stores busy, but their purchases have been of a rather more practical nature than a year ago, and the disposition has been to spend their money more cautiously and for articles having a practical usefulness and value. Current reports from the outlying portions of the district indicate the same drift. Customers are inquiring into the intrinsic value of the articles they purchase and are exhibiting more conservatism than was apparent two months ago. In view of the repeated warnings of the Federal Reserve Bank and of leading financiers, that continued reckless spending can only lead to an unfavorable result, this tendency is encouraging and suggests that the crest of the wave of extravagance which has prevailed for many months may have been reached.

There is a disposition to look for more conservative buying during the coming year. Trade in the principal lines is giving attention to the condition of stocks and the difficulties that may face merchants in the event of any appreciable decline in prices if they are caught with large stocks of high priced goods and a falling market.

The district was fortunate in escaping with comparatively little trouble the dangers that threatened during the coal strike. At Montana points there was an acute shortage of fuel. Not a pound of coal was mined in that state until the recent resumption of work. The availability of coal in ordinary times has made it unnecessary for dealers to store large supplies, and with the exhaustion of the amount on hand, it was necessary in some sections to make emergency arrangements with saw mills for slab wood, and with wood cutting crews in order to provide enough fuel for household purposes. These conditions are rapidly adjusting themselves, and difficulties that were reported from a few other points are now being obviated. The industries of the district have not been appreciably interfered with, and the full force of the strike was not felt in this district as it was in sections farther east.

Severe cold prevailed during practically all of December, with sub-zero temperatures during the greater part of the month. Heavy snows have fallen throughout the entire district, which have put country roads in very bad condition, and interfered with transportation service. The severest shortage of cars since the beginning of the war exists at the present time, and throughout the month there has been the utmost difficulty in securing cars for the shipment of stock and farm products. Country elevators are filled with grain, and all movements of loaded cars are slow. Grain shipments which usually arrive in Minneapolis and Duluth terminals within a period of three or four days are now eight and ten days on the road, and as a result, the usual fall liquidation has not occurred. Banks are carrying the farmers, the grain trade, and producers of live stock, for unusual amounts. During December, the demand upon all the banks was heavy and liquidation hardly noticeable. In consequence of the situation, moderate advances were made in the discount rates of the Federal Reserve Bank, and the rate situation generally has stiffened somewhat.

A serious shortage of skilled labor is reported by practically all of the industrial centers. Federal and State labor agencies report a considerable number of men out of work who have a sufficient supply of money to take care of their needs for the immediate future. Individual efficiency of labor is not up to normal, and there is considerable radical agitation through the district.

Farm labor is scarce and the shortage of experienced and capable help is keenly felt in all sections.

The stock situation is unfavorable, because of the early snowfall, severe cold weather, and shortage of feed. In the Black Hills region, in western North Dakota, and throughout Montana, these conditions, together with the difficulty in obtaining cars for shipment, are producing heavy losses on the ranges and heavier losses than usual on stock in transit. There were heavy shipments of sheep to market during both November and December, and the year's records at the South Saint Paul market will show notable increases in the receipts of hogs as well.

Manufacturing enterprises are very active. Sash and door factories are far behind on their orders. Textile and clothing manufacturers are unable to secure sufficient women operators, although they are offering substantial advances in wages. Furniture lines are in good condition, and iron and steel concerns are booking orders readily.

Since the close of lake transportation November 24, the milling industry has been hampered by a shortage of cars, and by the withdrawal of equipment, generally used for handling wheat and flour, for fuel transportation.

Wholesalers report satisfactory sales. Some lines, especially the wholesale drug trade, report the usual lull before Christmas.

Retail trade reports from the outlying districts show some slowing up in merchandise sales and a tendency on the part of buyers to hesitate because of high prices. The credit situation is good. Retailers report that poor accounts are much below normal.

In the iron mining districts of northern Michigan and northern Minnesota, winter operations are under way with no labor trouble of a serious nature. The gold mining industry in the Black Hills reports very quiet conditions. The condition in the copper mining industry is about the same as it has been since the Armistice. The copper price situation at the present time is very unsettled, and unless there is a decided foreign demand soon, it will be necessary to either curtail production or the companies operating at the highest cost will have to close down for a period. The buying wave which prevailed during mid-summer has subsided and available surplus copper on December 1 reached the highest point since the close of the war. Buying orders have not come in in the volume that was expected. The present outlook is uncertain.

In the lumber industry, there is no weakening in the demand. The output is limited only by the number of men available. Wages in the woods are very high and camp conditions are better than they ever have been, but labor is not attracted to any extent even by these conditions. Operators in Minnesota deny that there is any serious trouble on account of I.W.W. agitation, and express confidence that they will be able to carry their operations through the winter without serious difficulties.

Northern Minnesota iron ore shipments for the year will run to about 45,000,000 tons as against 62,000,000 tons during the high production of 1918.

The spring season will bring some difficult problems in connection with the live stock situation. It will be necessary to ship back into the west end of the district a considerable amount of stock to replace that removed before snowfall on account of the severe shortage of feed. The amount of snow so far received is very promising for a good year in the districts that were dry during the season recently closed. ^{The 1919 crop of wheat is, however, of very poor quality.} Most of it arriving at terminal markets is light in weight, shriveled and shrunken, and of very low germination. Without the most active efforts there will undoubtedly be a serious shortage of seed for spring planting. The prospect is so unfavorable that an organization has already been formed to gather data in regard to available seed supplies, and to conduct such work during the winter as will locate and provide for the distribution of the seed that is available. The prospect is for a reduction in next year's wheat acreage, while in the western half of the district, the acreage of winter wheat and winter rye is already reduced.

With these exceptions, the outlook is not unfavorable.