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FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

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JULY.

The past thirty days has brought the usual reports of injury to the growing crops, and rumors of extensive rust damage have been widely circulated. A telegraphic survey of the entire Ninth Federal Reserve District discloses some losses but not much more than are usually incident to grain production, and from many points, brings reports of prospective yields of small grains that are distinctly above the average for the last ten years. A few sections in southern Minnesota and South Dakota, chiefly in areas of considerable recent rainfall, have sustained definite injury from black rust. Some damage from this cause is reported from western Minnesota and North Dakota, but none from Montana. Black rust exists in the fields over a stretch of territory extending from the Mississippi River west to the Missouri River in South Dakota and to Jamestown in North Dakota. Even in this territory it is not common in all fields, and there are large areas in which it has not appeared. Weather conditions have not favored its development and while the disease cannot, of course, exist without some injury to the grain it attacks, the actual damage disclosed up to this date is not sufficient to indicate any large impairment of the prospective yield. The area in southern Minnesota where black rust has caused the most injury is not a part of the region from which heavy wheat production comes. There is a noticeable absence of smut reports although there is some blight.

Farmers will begin cutting early wheat within five days. The wheat harvest will be general in three weeks. The coming ten days will be a critical period, during which unfavorable weather might easily cause the rapid development and spread of black rust in the fields which are already infected.

Black rust appeared in the Red River Valley five days earlier than in any previous season. At that time it was traced as far west as Valley City. The fact that the crop has so far escaped any widespread and serious development of the disease suggests that it may enjoy immunity during the comparatively brief remaining period during which it will be exposed to this danger.

Hail has injured the grain crops in practically every section of the district. In some localities the damage has been quite severe. The total damage, however, is not greater than in an average year.

In Sheridan, Bottineau and Rollette Counties in North Dakota, grasshoppers have caused damage to the grain, and they have appeared in other sections where they have not been a serious menace. As a whole, grasshopper damage is less than might have been expected in consideration of conditions last year.

The west central portion of the state reports that late wheat is the best crop in years. Indications for the state as a whole are for better than an average crop for all small grains.

Both spring and winter wheat in Montana present a very favorable outlook. All small grains are very promising. South Dakota crops indicate large yields, and South Dakota, in common with southern Minnesota, has suffered damage on low lying lands and in certain overflowed sections. From the standpoint of the production of the district as a whole, this damage does not appear to be important, since it will be more than offset by good yields of small grains on the lighter soils and on high ground where the crops have not been exposed to the bad effects of successive rains upon low and heavy soil.

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Flax and corn are both exceptionally promising. In the region from which the heaviest corn production comes, the crop has made splendid progress during the past ten days, which has largely overcome the late planting and early delays in development. North Dakota's corn prospects are very good, and Montana, with a 38 per cent increase in corn acreage, promises to harvest a large crop of ear corn and produce a large amount of excellent forage. Hay and forage crops are very promising over the entire district. In the western section the first cutting of alfalfa is heavy and of fine quality.

Potatoes promise to be a very good crop and garden products in the eastern half of the district have been making excellent progress, while early fruits and vegetables have commanded a market at unusually high prices.

On the basis of the outlook at this date it is apparent that the prospective crop of small grains will exceed the elevator capacity by about 420,000,000 bushels. Country elevators will fill up within a few weeks after the crop begins to move. This will be largely wheat. The grain trade will accept enough grain to fill the country and terminal capacity, but with present transportation difficulties and inadequate storage facilities on the farms, a difficult situation is in prospect, both as to storage and financing, unless there be a radical improvement in the movement of cars.

There was an improvement of about one-third in cars forwarded during June as compared with the month of May, largely due to special efforts made to provide the Northwest with suitable equipment for the movement of grain, flour and mill products.

The problem of securing adequate fuel supplies for the northwestern states is more dependent upon the conditions of lake transportation than ever before, owing to difficulties in rail transportation. The receipts of coal at Duluth and Superior Harbor during the month of June, 1920, were 911,211 short tons, as compared with 455,806 short tons in May, 1920, or an increase over the month of May of practically 100 per cent. The total coal receipts between the opening of navigation and the end of June, 1920, were 1,388,017 tons as compared with 3,781,772 tons on the same date in 1919. The receipts for the current year are therefore 36.7 per cent of one year ago.

A closer analysis of the total receipts for the current year to date as compared with one year ago shows that the receipts of soft coal have been 29.1 per cent and hard coal 92.2 per cent. If the improvement shown in June over May continues, there will probably be no difficulty in securing enough anthracite coal for residence heating purposes, but the problem of securing bituminous coal for industrial usage is serious.

Range conditions are reported from all sections as better than for many years. Native grass is sufficiently heavy in some districts to be cut for hay. Livestock in health and flesh has never been better. Much is now sufficiently fat for marketing, but will not be shipped until fall. Shipments will be lighter than usual on account of losses during the past winter; and the fact that the ranges are in such good conditions will lead owners to build up their herds. Some stock may be shipped early in August. Estimates as to the number of cattle on the ranges compared with a year ago vary from 10 to 75 per cent less than a year ago, the average of all estimates being 45 per cent.

The wool clip has been practically completed, and is reported to be of good quality and about normal in quantity. The market is seriously depressed, prices having fallen considerably. In all districts the growers are holding the clip for better prices, meanwhile owing considerable sums to banks which they find it difficult to liquidate. Some wool has been consigned with advances of 25 cents a pound.

The volume of cattle loans is practically unchanged, and the loan value is considerably less than one year ago.

The South Saint Paul territory is practically cleaned up on dry fed cattle, grassers, and the plainer odds and ends are now coming, and next month will see the beginning of the annual fall movement. The early June advance on cattle encouraged farmers and growers, but with the marketing of the corn fed varieties, the market promptly took a slump.

There is a noticeable slowing down in general trade. Among the causes should be mentioned railroad congestion, with shortage of cars and delay in deliveries, strikes, and inefficient labor in spots, a growing spirit of economy on the part of the people, a tight money market with no immediate prospect of ease, and definite indication of price declines in important commodities which have disturbed confidence, causing buyers to withhold orders and manufacturers to hesitate in making commitments. Collections are slower and retail trade exhibits a diminished turn-over.

Freight tonnage passing through the Soo Canals in the month of June, 1920, eastbound, totaled 9,153,884 short tons and westbound totaled 1,493,935 short tons, or a total movement of 10,647,819 short tons. When compared with one year ago, there has been an increase in eastbound freight during the month of June of 598,905 tons, or 7 per cent, and a decrease in westbound freight during the month of June of 1,170,502 tons or 43 per cent, or a decrease in the total freight tonnage of 571,597 tons or 5 per cent. (These figures include the freight to and from Fort William and Port Arthur.)

Reports of individual debits appear to indicate that the physical volume of trade or the price level, or both, in the Ninth Federal Reserve District has decreased more than that of any other Federal reserve district, excepting New York, both when compared with last month and when compared with a year ago. To the extent that this may represent genuine liquidation of stocks and price declines, we are in a stronger position than the other districts, outside of New York.

Reports from manufacturers of lumber show a slight increase in the output of mills as compared with the previous month, but a shortage as compared with the same month a year ago. Shipments were approximately 10 per cent less than a year ago. Stocks on hand were about the same. Sales by retailers of lumber increased a little as compared with the previous month, but were about 25 per cent short of the same month a year ago.

Building statistics do not show any particular increase in the volume of building in nine of the leading centers of the district, but include an unusual amount of small construction.

Ore shipments from the Head of the Lakes were slightly larger than during the previous months. Producers of iron ore report that they are operating from hand to mouth with regard to their coal supply and that the labor supply is poor but improving, although much less efficient than formerly. The irregularity in production has been due to the unsatisfactory transportation situation. It appears that the equipment of the railroads is entirely out of proportion to the capacity of lake boats and mines. It was impossible to unload ore at eastern lake ports with regularity owing to the shortage of cars.

CREDIT SITUATION. Reports received from 35 of the largest member banks in the district indicate a liquidation of loans by customers amounting to \$10,000,000 between June 4th and July 2nd, and that this was effected by a decrease in demand deposits amounting to \$9,000,000. These member banks liquidated loans at the Federal Reserve Bank amounting to \$3,000,000, and this was effected by a reduction of their reserves at the Federal Reserve Bank of \$2,000,000, and the collection from their customers of about \$1,000,000 in excess of their withdrawals of demand deposits. This amount of liquidation by customers is encouraging, but it is not sufficient in view of the need for a considerable extension of credit later when the crop begins to move.

The balance sheet of the Federal Reserve Bank shows a decrease in total accommodation given to the Ninth District of about \$3,000,000. There has been a slight decrease in the quantity of notes in circulation and in the reserves of the bank. Taking the country as a whole, the twelve Federal Reserve Banks report for June an increase in earning assets chiefly in the form of bills discounted, although there was a reduction in loans secured by government bonds. Although there was an increase in the total notes in circulation from \$3,286,000,000 to \$3,358,000,000, the gold reserves meanwhile increased sufficiently to raise the combined reserve percentage against both notes and deposits from 42.7 per cent to 42.8 per cent. However, this is not as great as should normally be expected at this season of the year.

Bank rates have remained very firm throughout the month. Commercial paper is on an 8 per cent basis as compared with 5½ to 5¾ per cent a year ago. Bank rates to customers are on a 7 to 7½ per cent basis at the larger centers as compared with 5½ to 6 per cent a year ago.