

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

ATTN: Mkt. Sec.

MONTHLY REPORT OF
CROP AND BUSINESS CONDITIONS

DEC 5 - 1921

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Business in the Northwest is marking time. There is a more cheerful feeling among business men but no increase in the total volume of business done. The general and rapid decline in prices which had prevailed in November and December appears to have been arrested in January. These declines have laid a foundation for a sound business revival by reducing some costs of production and by making it possible to reduce other costs as well. Readjustments in the prices of individual commodities have been taking place with a tendency to level the prices of commodities having equal value or equal costs. This leveling process gives promise of a balanced revival when revival takes place.

GENERAL PRICE SITUATION—Prices during the month exhibited mixed tendencies with about as many increases as decreases.

The highest, lowest, and median prices for cash sales of wheat and rye increased at Minneapolis in January as compared with December; while the highest, lowest, and median prices of corn, oats, barley, and flax decreased. The median prices of wheat and rye advanced respectively 12 cents and 9 cents per bushel, while the median prices of flax, corn, barley, and oats decreased respectively 11 cents, 5 cents, 3 cents, and 1 cent per bushel.

These median prices furnish an index of conditions prevailing throughout the month and are a means for simplifying the variations due to changes in daily quotations. The median is that price at which the number of bushels sold at a higher price is exactly equal to the number of bushels sold at a lower price.

The January and December price quotations on grains, taken from the daily record of cash sales at Minneapolis, follow:

	January 1921 Prices			December 1920 Prices		
	High	Median	Low	High	Median	Low
Cash Wheat						
No. 1 Dark Northern	\$2.03	\$1.84	\$1.64½	\$1.87½	\$1.72	\$1.52½
Cash Corn						
No. 3 Yellow	.65	.62	.51	.78	.67	.63
Cash Oats						
No. 3 White	.45½	.42¼	.36¼	.48½	.43¼	.41
Cash Barley						
No. 3 Choice to Fancy	.75	.66	.54	.79	.69	.58
Cash Rye						
No. 2	1.69	1.58	1.47	1.56½	1.49	1.30
Cash Flax						
No. 1	2.09½	1.98	1.76½	2.24	2.09	1.88

The price of flour to bakers rose during the month of December and fell during January. The net increase for these two months was but 25 cents per barrel.

The median quotations for cash sales of livestock at the South St. Paul Stock Yards during January as compared with December indicated price increases for veal calves, butcher cows and heifers, and stock and feeder steers. Although the median price of butcher steers remained unchanged, there was an increase for this grade both in the highest and lowest quotations as compared with December. There were decreases in the median prices of lambs and hogs. The quotations follow:

	January 1921 Prices			December 1920 Prices		
	High	Median	Low	High	Median	Low
Butcher Cows and						
Heifers	\$8.25	\$5.50	\$3.00	\$8.00	\$5.25	\$3.75
Butcher Steers	10.00	7.00	4.75	9.50	7.00	4.50
Stock and Feeder						
Steers	8.50	6.50	3.50	8.75	6.00	3.00
Veal Calves	10.75	10.00	3.00	11.00	8.25	2.50
Hogs	8.25	8.95	9.75	9.75	9.39	8.25
Lambs	10.50	9.00	2.00	11.25	11.00	2.00

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Wholesale produce prices in Minneapolis indicated as many declines as increases during the month of January as compared with December. There were decreases in butter, eggs, dried peas, Navy beans, potatoes, and hogs. There were increases in cheese, cabbage, celery, tomatoes, veal, and hens.

The long predicted adjustment of local prices of building material other than lumber began during the month of January with decreases recorded in the "American Contractor" on February 5 as compared with the prices on January 1 as follows: common brick, from \$24 to \$20 per thousand; vitrified sewer pipe, from \$.24½ to \$.21 per foot; iron pipe, from \$1.05 to \$.92 per foot. All other building material prices, including Douglas Fir, remained unchanged between the same dates.

Dun's Review in quoting minimum prices for our selected list of 19 commodities at wholesale in central national markets for February 4 exhibited a general decline as compared with the prices prevailing for the same articles on December 31. There were decreases in rubber, hides, copper, pig iron, coke, oak, hemlock, white lead, cement, hogs, wheat, flour, butter, silk, and serge. There were unchanged prices for potatoes and leather. There were increases only in the case of lead and print cloths.

GENERAL BUSINESS CONDITIONS—There was a substantial decline in the volume of business during the four weeks ending January 26 as compared with the four weeks ending December 29 when measured by the volume of payments made through clearing-house banks in the eleven most important cities of this district. The January volume was 12 per cent less than in December whereas a year ago between the same dates there was a decline of about 5 per cent. All cities experienced declines as compared with the preceding month except Aberdeen and Helena; and all cities experienced declines compared with a year ago except Duluth, Helena, and Superior.

The production of flour mills in this district for the five weeks ending January 29 declined about 13 per cent as compared with the five weeks ending December 25. The total production was also about 22 per cent less than a year ago. The mills are operating at about 39 per cent of capacity as compared with 53 per cent a year ago. Copper production in January was about the same as in December, but fully 35 per cent below the production of January a year ago, the decline being greatest for the Montana companies. The manufacture of linseed oil and oil cake in Minneapolis exhibited increases as compared with December and with January a year ago. The volume of retail trade in January when measured in dollars and cents exhibited a decline of 12 per cent from January a year ago, while stocks decreased simultaneously 11 per cent. The decrease of stocks in January was about 9 per cent.

Business failures, which are an excellent index to past business conditions, were more favorable in January than in December. The number of failures increased but the total liabilities were reduced one-half. However, as compared with a year ago, failures are excessively large, the number being more than three times as great and the liabilities more than four times as large. In January there were 48 failures, with liabilities of \$583,858.

BUILDING AND LUMBER—Contemplated projects in the building industry in the nine largest cities in this district, when measured by the number of permits and their valuation, declined substantially in January as compared with December and as compared with January a year ago. The decline in the number of permits was about 12 per cent as compared with the month of December and as compared with January a year ago; while the decline in valuation with a month ago and a year ago was 70 per cent. Lumber manufacturers and retailers report that the lumber business remains dull. Lumber cut, shipments, and sales in January were about 50 per cent of a year ago, although there were small increases as compared with December. Retailers' stocks are less than a year ago and orders on hand are not large.

UNEMPLOYMENT—There was some improvement in January over December in the number of men employed by lumber manufacturers and retailers, the increase being about 11 per cent; but a comparison with a year ago indicates a decline of 27 per cent. In mining, the number employed in January was slightly less than in December and only 61 per cent of the number employed in January a year ago.

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GRAIN MOVEMENT—An estimate recently made indicates that about 70 per cent of the 1920 wheat crop in this district had been marketed at mills and terminals by February 1, 1921, and that about 40 million bushels of this crop remained on the farms or in the country elevators on this date. When the total grain movement for Minneapolis and Duluth is combined for the month of January, the receipts are found to be 18,378,148 bushels, which is about three-fourths of the December receipts and fully 10 per cent larger than the receipts for January a year ago. The receipts of corn and oats were practically double, and receipts of wheat somewhat larger than a year ago. The shipments total 11,537,639 bushels or 30 per cent less than during December and 12 per cent larger than a year ago. The combined Minneapolis and Duluth receipts follow:

Receipts	January 1921	December 1920	Percent Jan. of Dec.	Percent	
				January 1920	Jan. 1921 of Jan. 1920
Wheat (bushels)	11,152,671	14,809,262	75.4	10,476,141	105.6
Corn "	1,956,699	1,956,960	99.9	1,077,340	182.0
Oats "	2,672,437	2,135,168	125.1	1,265,774	211.4
Barley "	1,256,177	2,061,196	60.9	932,659	134.9
Rye "	892,194	1,791,975	49.7	2,397,074	37.2
Flax "	448,050	1,324,288	33.8	428,827	104.6
Total "	18,378,148	24,078,849	76.4	16,577,815	110.9

Total stocks of all grains in Minneapolis and Duluth terminals on January 29, 1921, were 25,086,090 bushels, which is practically the same as a month previous and a year ago. As compared with a month ago, there were substantial increases in stocks of corn and oats, and substantial declines in barley and rye. As compared with a year ago, there were extraordinary increases in corn, oats, and flax, and a phenomenal decline in the stocks of rye. Wheat stocks, totaling 8,722,338 bushels, are about 7 per cent less than a month ago and 19 per cent less than a year ago. The elevator stocks of all grains in Minneapolis alone were practically unchanged as compared with a month ago and a year ago.

LIVE STOCK—Receipts in January for all kinds of live stock at the South St. Paul Stock Yards were slightly larger than in December, but about four-fifths of the movement a year ago. A decrease in the receipts of cattle, and an increase in the receipts of calves, both as compared with last month and a year ago, are of outstanding importance. The total shipments in January when measured in carloads were 22 per cent less than a month ago and 14 per cent less than a year ago.

BANKING DEVELOPMENTS IN JANUARY—Credit conditions in the Ninth Federal Reserve District appear to have improved during January, according to the Federal Reserve Bank statement of condition of February 4 as compared with the statement of December 30, 1920. Between these dates 17 million dollars was collected from member banks, enabling us to repay rediscounts with other Federal Reserve Banks to the extent of 13 million dollars. Federal Reserve Notes returned to this bank and redeemed totaled 7½ million dollars. To some extent this improvement in credit conditions was local rather than general, as many member banks borrowed from their correspondents in other Federal Reserve Districts or sold or collected maturing paper of outside borrowers.

On February 4, the total accommodation given this district by the Federal Reserve Bank exceeded that of a year ago by more than 6 million dollars; and total cash reserves were 17 million dollars less. Meanwhile member bank reserve deposits with us were reduced about 10 million dollars and note issues more than 9 million dollars. The total accommodation on February 4 was \$80,840,099, of which more than 44 millions consisted of agricultural and live stock paper, 20 millions of notes secured by United States bonds and certificates, and about 16 millions of business paper.

Reports received from 38 selected member banks in the larger cities on February 4 as compared with December 31 indicate improved credit conditions because their customers paid off 21 million dollars, of which these banks used 17 millions to reduce their loans with the Federal Reserve Bank. Declines of two million dollars each were

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experienced in demand and in time deposits. A small part of this improvement was secured by a more prompt transfer of unassorted currency and silver from member bank vaults to the Federal Reserve Bank.

The general banking situation in the Northwest and the relations of Twin City banks with their country correspondents was made the subject of a special investigation on January 27, 1921. Reports from sixteen member banks located in Minneapolis and St. Paul, when combined, show that total deposits declined more than 25 million dollars in one year, while loans were reduced only to the extent of 11 million dollars. When the transactions with country correspondent banks were segregated, it appeared that the country banks had reduced their total balances and had increased their borrowings to the extent of more than 60 million dollars in excess of a year ago on the same date. These sixteen Twin City banks had loaned their country customers on January 27, 1921, over 75 millions and at the same time had borrowed from the Federal Reserve Bank but 38½ millions. When a comparison is made with a similar special investigation on October 20, 1920, it appears that the sixteen Twin City banks reduced their loans to country bankers during the intervening three months to the extent of three million dollars, while they reduced their rediscounts with the Federal Reserve Bank during the same time 32 million dollars. It is important in this connection to direct attention to the fact that the Federal Reserve Bank during the same period expanded its loans to country banks.

Discount rates of the Federal Reserve Bank remained unchanged, and the rates on commercial paper and customers' loans at banks remained unchanged at 8 per cent and 7½ per cent respectively. A year ago both commercial paper and customers' rate at banks was 6 per cent. Rates charged by member banks on loans to other banks increased one-half per cent and rates for bankers' acceptances increased from one-quarter to one-half per cent.

Credit conditions throughout the entire United States, as reflected in the statements of condition of the twelve Federal Reserve Banks combined on February 4th as compared with January 7th, have noticeably improved. The total earning assets were reduced 8½ per cent. Note circulation was reduced 6 per cent and the total reserves increased more than 2 per cent. However, some of this improvement in reserves is doubtless due to the fact that there has been some shifting of gold from the hands of the public and other banks to the Federal Reserve banks in exchange for new paper money which cannot be otherwise obtained.

BANKING CONDITIONS ON FEBRUARY 21. Country merchants have been much more successful in collecting from their customers than have the country bankers. Wholesalers have been able to collect their accounts and reduce their debts to city banks, whereas the country bankers have not accomplished very much in the same direction. The total loans of this bank in the first three weeks of February were reduced from 78 millions to 74 millions. This is to be accounted for almost entirely by collections from city member banks. Such sums as were collected from country districts were reloaned to other sections. The total accommodation to the district is fully 10 million dollars larger than a year ago, and while we have paid all our rediscounts to other Federal Reserve banks, we were lending to them a year ago. The decline in general business, increase in unemployment, and fall in prices have created a surplus of currency which has been returned to us for redemption. These redemptions have been sufficient to reduce our Federal Reserve Notes outstanding by \$11,000,000 as compared with a year ago. There have been evidences recently that the decline has stopped, when account is taken of Federal Reserve Bank Note issues as well as Federal Reserve Notes, because there have been declines in the amount of notes outstanding in every week since January 1 except the week ending February 19.