MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY FOR THE MONTH

The total volume of business in this district during January declined normally as compared with the pre-Christmas rush of December, except in the cities of Sioux Falls, South St. Paul and La Crosse, where there were increases. As compared with January last year, there has been an increase of nearly one-third in the debits to individual accounts in banks in our reporting cities, owing to a continuation of the heavy grain and livestock marketing, much higher prices for agricultural products, increased shipments of other products and improved retail and wholesale trade.

The improvement in business has been quite general. Shipments were larger than a year ago for forest products, coal, coke, ore, linseed products, miscellaneous merchandise and merchandise in less than carload lots. Carlot shipments into the Northwest as compared with a year ago were doubled for agricultural implements, were halved for automobiles, trucks and tires and were slightly smaller for building materials. Although January marketings of hogs, calves and sheep were especially large, the movement of cattle was small as compared with figures for previous years.

Both retail and wholesale trade were lower in January than in December, which is a seasonal occurrence, but the volume was above a year ago, owing to the effects of a more satisfactory crop situation. Merchandise stocks at retail stores declined. Consequently, they have outstanding a larger volume of orders for new merchandise. The stocks of retailers of lumber have been steadily increasing, but lumber manufacturers hold stocks well below a year ago.

The payment of trade accounts and bank loans from crop proceeds has continued. It is particularly noteworthy that the accounts receivable in wholesale trade, as well as with lumber retailers, are much below a year ago, despite an increase in their sales. Bankers have been under the necessity of searching for other productive investments. The amount of commercial paper now outstanding in this district is larger than for any other month during the last five years, double a year ago and one-eighth greater than a month earlier. Banks in the larger cities report a continuous decline in demand deposits and a continuous increase in time deposits during the six weeks ending February 14. Savings deposits, both in the aggregate and as to the average deposit, have exceeded all former high points shown in our records. Federal reserve notes in circulation declined seasonally in January. An increase in Federal reserve note circulation during the first half of February, coupled with the decline of deposits of member banks, the decline of member bank deposits with this bank and a slight increase in the firmness of interest rates, all indicate that there has been developing some broadening of general trade and business activity.

Prospective building activity, as reflected by building permits in our leading cities, is better than a year ago. The total number of permits for the eighteen cities increased 43 per cent over the preceding January, and the total valuation decreased 15 per cent, but this decrease in the valuation is due almost entirely to the exceptionally high figure reported by Winona one year ago.

A livestock survey made on January 1 shows that there have been increases in the number of milk cows and sheep and decreases in the number of other cattle and swine in this district during the year 1924.

TOPICAL REVIEWS

The dollar value of business transacted in seventeen cities of this district during January was 29 per cent greater than in the same month last year, but registered a 13 per cent decline from the December volume, which was to be expected after the close of the Christmas season. The January total of debits to individual accounts was the largest of the seven January figures contained in our records. Every city in the seventeen, except Superior, showed an increase over last year. The increase was greatest at Minneapolis and Duluth-Superior, which are yet experiencing the effects of grain marketing. The volume of check transactions at Duluth was 44 per cent greater than a year ago and the volume at Minneapolis was 38 per cent above last year. The livestock marketing cities, South St. Paul and Sioux Falls, also showed gains over last year. At South St. Paul the increase was 36 per cent and at Sioux Falls 1 per cent, but this latter increase, though small, is remarkable when it is recalled that a year ago at Sioux Falls there was a larger number of banks in operation. The eight wheat belt cities, the three Mississippi Valley cities and St. Paul showed increases of 19, 16 and 10 per cent, respectively, over last year. Sioux Falls, South St. Paul and La Crosse reported a larger volume of check transactions in January than in December.

Carloadings in the northwestern district during the first five weeks of 1925 indicate also that a record volume of business is being transacted this year. A total of 572,646 cars of various products were loaded during this period, as compared with 535,428 cars in the same weeks a year ago, and with a previous high record in 1920 of 562,718 cars. New peaks for January were recorded for merchandise shipped in less than carload lots and for livestock, forest products and coke. Carloadings of miscellaneous merchandise and coal during this period of the year were higher in 1925 than in any year except 1920. On the other hand, grain and grain products and ore were shipped in slightly larger volume than a year ago, but did not approach the high levels of previous peak years.

Purchases of key commodities from distributors in the Twin Cities are yet showing conflicting tendencies. Agricultural implements and vehicles were forwarded from Minneapolis in much larger quantities during January, 1925 than a year ago, the carloads being, respectively, 109, and 41. On the other hand, only 442 carloads of automobiles, trucks and tires were shipped from Minneapolis in January as compared with 763 a year ago, and 201 carloads of selected building materials were shipped as compared with 218 a year ago.

Livestock receipts at South St. Paul were again featured by enormous runs of hogs and calves, larger than in any other January on record at this market. Sheep receipts were also the largest in any January since 1922 and were 67 per cent greater than in January a year ago. Receipts of cattle, on the other hand, showed the smallest January volume since 1922, although only slightly smaller than last year. For all classes, there were moderate declines from the December volume.

Feeder shipments evidenced the preference of livestock husbandmen for hogs and sheep and their reluctance to feed cattle and calves. Shipments of feeder sheep were more than twice as great in January this year as a year ago, and shipments of feeder hogs were more than one-fourth larger. Shipments of cattle and calves in the feeder class, however, were one-fourth and one-third smaller than a year ago. All classes showed declines from the December volume of shipments.

Receipts of grain at Minneapolis and Duluth-Superior were seasonally smaller in January than in December, with the exception of corn, but the movement was much heavier than a year ago. Nearly three times as much flax reached these terminal markets and nearly two and one-half times as much oats and barley were received. Receipts of corn were nearly double the last year's volume in January and 58 per cent more wheat was shipped in. Only in the case of rye was the increase insignificant, amounting to 3 per cent.

Grain stocks at terminal elevators were 49 per cent larger at the end of January than a year ago and nearly 6 per cent larger than at the close of December. More than half of the stock of grain held in elevators at Minneapolis and Duluth consisted of oats, which increased 6 per cent over the volume at the close of December and was five and one-half times as great as a year ago. Stocks of wheat also increased 6 per cent in January over the volume at the close of December, but were only 7 per cent larger than a year ago, in spite of the heavy movement of the larger crop. In the case of rye, which must be considered with wheat when speaking of supplies of bread grains, there was a moderate increase of 16 per cent during January over the December volume, chiefly at the port of Duluth, but the stocks of this grain totaled 41 per cent of the amount held a year ago. Visible supplies of corn at Minneapolis and Duluth-Superior were negligible, amounting to not quite 89 thousand bushels at the close of January, in spite of fairly heavy receipts during the month. Barley, on the other hand, was held in quantities two and one-half times as large as a year ago, but showed a small reduction as compared with holdings at the end of December. Stocks of flax were 16 per cent smaller at the end of January than at the end of December, but 68 per cent greater than a year ago.

Cash prices of the grains and livestock at terminal markets were very buoyant during January. All the grains and every class of livestock for which this office keeps price records, showed advances in January over December. The increase in grain prices was most spectacular. Flax increased 30 cents a bushel in median price. Wheat and rye were 26 and 25 cents higher. The feed grains, corn, barley and oats, on the other hand, showed more moderate increases. Corn and barley advanced 5 cents each, and oats, held back by the weight of visible supplies, advanced only three-eighths of 1 cent in median price.

In the livestock group, lambs advanced $2.25 per hundredweight, hogs increased 90 cents per hundredweight and there were encouraging advances in all of the cattle classes, for which this office maintains records. The median price of butcher steers advanced 75 cents per hundredweight and feeder steers rose $1.00 per hundredweight, reflecting the decrease in present and future supplies of beef. There were increases of 75 cents in the price of veal calves and 50 cents in the price of butcher cows.

Retail trade in cities of this district was moderately larger in January than a year ago, but experienced the customary sharp decrease from the December volume of sales. Sales at representative stores were

4 per cent larger in January than last year, but 44 per cent under December. The increases, grouping the stores by cities, were confined to Minneapolis and to a group of Minnesota stores outside of the larger cities. At Minneapolis, sales in January were 16 per cent over a year ago; at St. Paul, sales were 4 per cent smaller than last year; at Duluth and Superior, sales were 2½ per cent smaller than last year; and at other Minnesota stores, sales were 11 per cent larger than a year ago. Sales in South Dakota and Montana stores were respectively 11 and 8 per cent smaller than last year.

Stocks of merchandise held by stores reporting to this office were 1 per cent smaller at the end of January than a year ago and 4 per cent smaller than at the close of December. The outstanding orders of these stores at the end of January for merchandise to replace depleted stocks showed a healthy increase of 60 per cent over December 31 and were 5 per cent over a year ago.

Wholesale trade in all important lines, except groceries, continue to be more active than last year. As in former months, farm implements have shown the greatest recovery. Farm implement sales during January were 84 per cent larger than in the same month a year ago. Sales of dry goods and shoes were 12 and 8 per cent over a year ago and hardware sales were one-half of 1 per cent larger. Wholesale grocers, on the other hand, reported sales 3 per cent below last year. Wholesale trade in all lines declined in January from the December volume of sales. Accounts and notes receivable reported by wholesalers have remained at much smaller figures than a year ago. On February 1 these reductions ranged from 28 per cent in farm implements to 9 per cent in groceries.

Lumber retailers continue to report an improved volume of sales as compared with a year ago. January sales, in board feet, were 11 per cent larger than sales a year ago in the same month, and measured in dollars their sales of lumber and other commodities in which they deal were 17 per cent over last year.

Sales reported during November, December and January make a better comparison with the corresponding months in previous years when the three months are considered as one total than if each month is compared separately. In the retail lumber buiness, it is customary to close the year's business for each yard at some date during these three months, varying according to the time at which the companies' auditors arrive at that particular yard. For a fair comparison of the business of these three months just past with the corresponding months a year ago, the three months have been combined. From November 1924 to January 1925, inclusive, the yards reporting to this office sold 35,320,000 board feet of lumber, as compared with 32,040,000 board feet a year ago, or an increase of 10 per cent. The sales in dollars for the three months just past were $5,069,000, as compared with $4,574,-000, an increase of 11 per cent.

These sales have been accompanied by a reduction in accounts and notes receivable amounting to 11 per cent between December 31 and January 31, and 16 per cent as compared with January 31 last year. Stocks of lumber held by these retailers showed a further increase of 13 per cent during the month of January, following the abnormal increase in December. Stocks were 5 per cent larger at the end of January than a year ago.

Manufacturing activity in this district showed no changes in trend, other than those due to seasonal causes, from the record of the last few months. Linseed and forest products were shipped in larger quantities than a year ago, country flour output exceeded last year's volume and Minneapolis flour shipments and production were the smallest in any January since our records began in 1910.

In more detail, the records show that linseed products were shipped in a volume, during January, 20 per cent larger than a year ago, but 4 per cent smaller than in December. The greatest advance over last year was reported for oil cake.

Flour shipments from Minneapolis were 17 per cent smaller than a year ago, but 13 per cent larger than in December. Minneapolis flour production, reported by the Northwestern Miller, was 17 per cent over December, but 12 per cent under January, 1924. Country mill flour output was 9 per cent larger than in December and less than one per cent larger than a year ago.

Carloadings of forest products during the five weeks ending January 31 in the northwestern district were the largest on record for this time of year and 8 per cent larger than in the same weeks of 1924. A group of nine lumber manufacturers reporting to this office shipped 1 per cent more lumber in January than a year ago, and cut 14 per cent more. Their stocks of lumber were 8 per cent smaller at the end of the month than a year ago.

The building industry in most of the important cities of this district was more active in January than in the same month last year, probably stimulated by the exceptionally mild weather which has prevailed. At eighteen cities 744 permits were issued, as compared with 520 last year in January, an increase of 43 per cent. In the valuation of permits granted, there was a decline of 15 per cent. This decline was almost entirely in the figures for the city of Winona, which were exceptionally large in January a year ago. For the seventeen cities, exclusive of Winona, there was a 12 per cent increase over last year. Seasonal declines were reported in both number and valuation of permits granted as compared with December.

Demand deposits at city banks in this district declined quite sharply between December 31 and January 28, according to the reports of a selected group of banks reporting weekly to this office. At these banks, the decrease was nearly 9 million dollars, partly offset by an increase in time deposits of 2 millions. This net decrease in deposits, amounting to 2 per cent of the total, was accompanied by reductions in loans, security holdings and deposits with correspondent banks.

The first weeks of February have brought additional information from reporting banks of declines in loans and in demand deposits, while time deposits have continued to increase. At these banks, loans and demand deposits declined 2½ millions each during the first two weeks of February. Time deposits were increased by 2 millions and with these funds, security holdings were enlarged nearly one-half million and deposits with other banks were increased. These developments did not affect every bank and some were compelled to increase their borrowings at this Federal Reserve Bank. For the group, borrowings increased about $200,000.

Federal reserve notes of this Federal Reserve Bank in circulation declined 5 million dollars during January, and reserve deposits of member banks were reduced three-fourths of a million dollars. These decreases were accompanied by a reduction in security holdings of more than 4½ million dollars and decreases of one-half million dollars each in bills discounted for member banks and in cash reserves. Bills discounted on January 28 amounted to only $4,050,428, which was the lowest figure shown in any weekly report of this bank in recent years.

In the first three weeks of February, this Federal Reserve Bank experienced a slight decline in borrowings by member banks and changed 2 million dollars worth of earning assets from United States securities to purchased bills. Federal reserve notes of this bank in the hands of the public increased 1¼ millions, and member bank reserve deposits were drawn down nearly 1½ millions.

Commercial paper outstanding in this district continued its marked expansion. The volume was larger at the end of January than at any time in the last five years. The volume at the end of January was double the volume a year ago and nearly 13 per cent more than the volume at the end of December. Part of this latter increase was seasonal, but eliminating seasonal changes, our index number increased from 173 to 184.

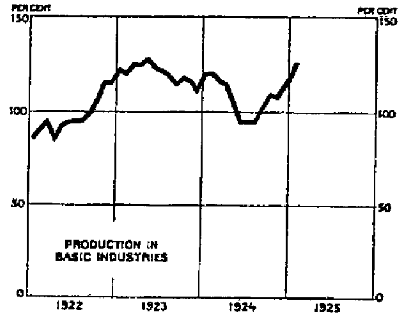
Savings deposits at fourteen savings banks and trust companies in Minneapolis, St. Paul and Duluth increased more than 1 per cent between January 1 and February 1, although usually there is a decline after January 1. It is significant that the total of such deposits, as well as the average savings deposit, which eliminates to a large extent the factor of the growth in the population of the cities, both reached the largest total on record on February 1. The average deposit was nearly 20 dollars larger on February 1 than at the low point of 1924, which was reached on June 1. The total increase from the low point of the last four years, reached on June 1, 1922, has been not quite 40 dollars. In other words, during the last eight months' time, an increase in savings deposits has occurred fully half as large as the total increase during the past two and one-half years.

Interest rates at commercial banks in Minneapolis advanced slightly from an average of 4.66 per cent on January 15 to 4.74 per cent on February 15. There were small increases in the rates charged to customers on prime commercial notes and on time loans secured by stock exchange collateral. The rate on demand loans secured by collateral was reduced slightly.

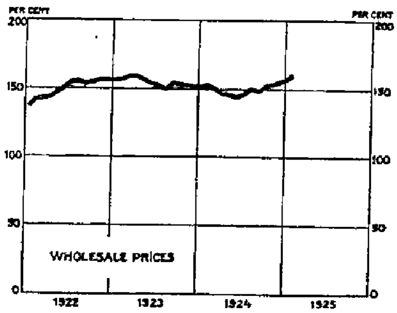
The January 1 livestock report recently issued by the United States Department of Agriculture confirms impressions held for some time by informed observers as to the changes in livestock holdings throughout the United States. There were marked increases both for the United States as a whole and for this district in the number of milk cows and sheep as compared with the number held on January 1 last year, and pronounced declines in holdings of other cattle and swine. The number of horses on the farms continued to show a moderate reduction. All states wholly contained within this district showed the same trend as for the United States as a whole, except that Montana reported an increase in holdings of cattle other than milk cows and unchanged holdings of swine, and South Dakota reported a decrease in sheep and unchanged holdings of horses. Details are given in the table below:

The steady decline in the number of horses on farms raises a serious question as to whether it would not be advisable to increase the use of horses on the farms as a money saving venture. The Minnesota State Agricultural College, in its Farm Management Service Notes, issued February 10, 1925, suggests certain ways for using horses instead of man labor to reduce costs, especially on the larger farms. In general the suggestions are in the matter of using larger power units. To quote in part from their discussion:

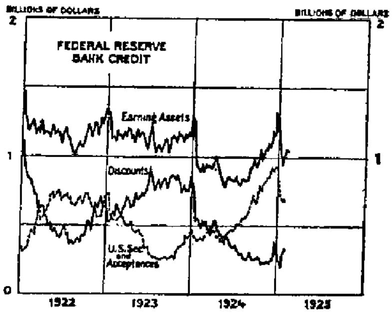
> "One man with two horses and a 14-inch plow will plow an acre in 4½ hours. Give him six horses and a 14-inch gang and he will plow an acre in 1.7 hours. At 20 cents per hour for man labor and 10 cents for horse labor, the labor cost per acre with the two horse hand plow is $1.80, and with the gang plow $1.36. The same man with two horses and a ten foot harrow will cover 19.3 acres per day at a cost of 20.6 cents per acre; with four horses and a twenty foot harrow, he will cover 44 acres at an acre cost of 13.6 cents. With a two horse riding cultivator, corn planted 3 feet 8 inches, a man should average for the three cultivations 16 miles per day. This makes seven acres per day. The labor cost per acre would be 71 cents. With a two row cultivator the capacity would be easily increased 90 per cent, which would be 13.3 acres at a cost of 45 cents per acre."



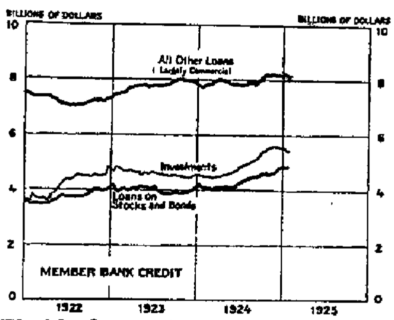
Index of 22 basic commodities. Corrected for seasonal variations (1919 = 100). Latest figure — January, 126.



Index of United States Bureau of Labor Statistics (1913 = 100, base adopted by Bureau). Latest figure, January, 160.



Weekly figures for 12 Federal reserve banks. Latest figures in millions: February 18, total earning assets, 1,046; discounts, 342; acceptances and United States securities, 690.



Weekly figures for member banks in 101 leading cities. Latest figures in millions, February 11: All other loans, 8,182; investments, 5,432; loans on stocks and bonds, 4,933.

Summary of National Business Conditions

(Compiled February 25 by Federal Reserve Board)

Further growth in production during January carried the output of basic commodities to the highest point reached since the spring of 1923. Employment at industrial establishments increased slightly, but remained below the level of a year ago. Prices of farm products continued to advance and there were smaller increases in the wholesale prices of most of the other groups of commodities.

PRODUCTION: Production in basic industries, after a rapid increase in recent months, advanced eight per cent in January and was 34 per cent above the low point of last summer. The most important factor in the increase in the level of production since August has been greater activity in the iron and steel industries, but in January the output of lumber, minerals, food products and paper and the mill consumption of cotton also showed considerable increases. The woolen industry was somewhat less active in January and the output of automobiles, though larger than in December, was considerably smaller than a year ago. Further increases during the month in employment in the metal, textiles and leather industries were largely offset by a seasonal decline in the number employed in the building materials and food products industries. Building activity, as measured by contracts awarded, though less in January than during the closing months of 1924, was near the high level of a year ago.

TRADE: Railroad shipments were in record volume for this time of year, and loadings of merchandise and miscellaneous products were particularly heavy. Wholesale trade in January, however, was slightly smaller than in December. Sales of groceries, shoes and hardware were in smaller volume, while sales of dry goods and drugs increased. Department store sales in most districts were somewhat smaller than a year ago, but sales of mail order houses were considerably larger.

PRICES: Wholesale prices, as measured by the index of the Bureau of Labor Statistics, rose 2 per cent during January to the highest level in four years. The increase of 10 per cent in the index since last January represents an advance of 19 per cent in prices of agricultural commodities and 3 per cent in other commodities. In the first half of February, prices of grains, wool, coal and lead declined, while petroleum and gasoline prices advanced sharply, and cotton, silk and rubber showed smaller increases.

BANK CREDIT: Loans and investments of member banks in leading cities, following the rapid growth during the last half of 1924, declined by about $100,000,000 between the middle of January and the middle of February. The decrease represents a reduction in the holdings of investments, chiefly at banks in New York, partly offset by an increase in loans. Loans on stocks and bonds increased, though less rapidly than in the latter part of 1924, while loans for commercial purposes declined slightly from the high level reached in the middle of January. Net demand deposits, owing largely to decreases at New York city banks, declined sharply from the high point reached in the midde of January.

At the Federal Reserve Banks, the seasonal liquidation resulting from the return flow of currency from circulation came to a close by January 21 and during the following four weeks there was an increase in total earning assets. This increase reflected largely the demand for gold for export which led member banks to increase their discounts at the Reserve banks. Reserve bank holdings of United States securities declined further, while acceptances showed relatively little change for the period.

Money rates, after remaining comparatively steady during most of January showed a firmer tendency during the early part of February, when rates for prime commercial paper advanced to 3¾ per cent.