CROP and BUSINESS CONDITIONS
IN THE
NINTH
FEDERAL RESERVE
DISTRICT

AS REPORTED BY THE
FEDERAL RESERVE AGENT
TO THE
FEDERAL RESERVE BOARD

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FIFTH REPORT
MINNEAPOLIS, MINN.
January 31, 1922

EDITORIAL NOTICE:—This report is prepared monthly in the office of the Federal Reserve Agent for the purpose of providing the public with accurate and impartial information concerning current business conditions in the Northwest. Under present conditions it is absolutely essential that correct information be available for those who must make business decisions. This report will be mailed free of charge to any responsible person who makes request for it.

SUMMARY

Financial conditions in the Northwest improved considerably in December and the early part of January. Interest rates at the Federal Reserve Bank and other central banks declined because many loans were paid off in the larger cities.

The December movement of grain and live stock to market was reduced to totals below normal for the month, although receipts of corn, oats and calves increased. Greater stability was shown in the prices of grain and live stock at wholesale.

Buying in the agricultural sections was at a low although city sales appear to have improved noticeably. Wholesale sales of agricultural implements in 1921 were but one-third of the 1920 totals. December sales at the retail stores in the larger cities exhibited a greater increase over November than between these months last year.

The volume of business and manufacturing registered a substantial decline, as indicated by flour production, shipments of lumber manufacturers, sales of lumber retailers and increased unemployment of labor. Copper and linseed production rose slightly. Individual debits which reflect general conditions fell two per cent. Business failures continued at the former levels.

Promise for the future is indicated in the estimate that a larger acreage was sown to winter wheat in the Northwest than last year, whereas for the whole United States there has been a decline. Also building operations projected as shown in permits granted in nine important cities were half again as large as a year ago in the same month, and stocks of retailers and wholesalers of lumber were much lower than a year ago.

GENERAL SURVEY

The Financial Situation in the Northwest during December was characterized by substantial reductions in loans at the larger city banks. The customers of thirty-five of the larger member banks reduced their borrowings $14 millions and enabled these banks to pay $10½ millions of rediscounts at the Minneapolis Federal Reserve Bank. While demand deposits in these banks dropped $41½ millions, there was a rise in time deposits of $5½ millions and in Government deposits of $3½ millions, making a net rise in deposits of all classes of $4½ millions. At the same time savings deposits in the nine savings banks at Minneapolis and St. Paul rose nearly 2 per cent.

The Ninth Federal Reserve Bank experienced a seasonal decline in its total loans to member banks of $13½ millions in the five weeks ending January 4th and 5 millions in the succeeding two weeks. Of this total decrease of over $18 millions, the Twin City banks were responsible for $14 millions. Reduction of borrowings by country banks continued at a very moderate rate.

Federal Reserve Accommodation to the Ninth District Continues to Decline in December and January.
Federal Reserve Notes of the Minneapolis Federal Reserve Bank outstanding reflected the customary Christmas increase in buying with the consequently larger demand for pocket money. The amount of notes outstanding was $1 1/2 millions more on January 4th than on November 30th, but owing to the elastic nature of this currency, by January 18th the amount outstanding had declined $2 1/2 millions from the figure of January 4th.

Interest and Discount Rates declined during the month ending January 15th. The discount rate for the Minneapolis Federal Reserve Bank was reduced on January 11th from 5 1/2 to 5 per cent on all classes of paper. Commercial Bank rates also weakened somewhat during the month. Declines occurred in the customary rate on prime 30-60-90 day commercial paper discounted for customers from 6 1/2 to 6 per cent, and on prime commercial paper purchased in the open market from 5 1/2 to 5 1/2 per cent. The customary rate on bankers' acceptances with endorsement increased from 4 3/4 to 5 per cent and rates on commodity paper secured by warehouse receipts increased from 6 1/2 to 7 per cent.

A decline in Investment Activities was noted during the month of December. Commercial paper purchased by banks and outstanding declined about 5 per cent. Securities sold by investment houses in Minneapolis and St. Paul also declined 5 per cent between November and December with appreciable declines in the sales of city mortgages, municipal bonds and foreign securities. An interesting side light on the tone of the market was the doubling in the dollar amounts of sales of stocks between the two months.

The figures for the Twelve Federal Reserve Banks combined indicated a decline in loans to member banks of $16 millions between November 30th and January 4th, while reserves increased $21 millions, note circulation rose $47 millions, and reserve deposits and Government deposits were up $61 millions and $22 millions respectively. A year ago in the corresponding period accommodation, which commenced its decline later in the year than was the case in 1921, was down $178 millions, while reserves increased $79 millions, note circulation was down $43 millions and reserve deposits up $31 millions.

The War Finance Corporation issued checks to country banks for agricultural loans from November 7th until January 16th, amounting to nearly $20 millions, of which checks to the amount of $10 1/2 millions were issued during December and $5 1/2 millions in the first 18 days of January. The following table shows the distribution of War Finance Corporation checks by states.

<table>
<thead>
<tr>
<th>State</th>
<th>Nov. 7-30</th>
<th>Dec. 1-31</th>
<th>Jan. 1-16</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota</td>
<td>$96,652</td>
<td>$1,751,589</td>
<td>$1,658,471</td>
<td>$3,485,655</td>
</tr>
<tr>
<td>North Dakota</td>
<td>1,234,560</td>
<td>1,539,283</td>
<td>1,591,388</td>
<td>4,365,433</td>
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<tr>
<td>North Dakota</td>
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<td>2,646,789</td>
<td>1,654,888</td>
<td>4,985,304</td>
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<tr>
<td>Wisconsin</td>
<td>76,682</td>
<td>420,189</td>
<td>696,428</td>
<td>1,250,286</td>
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<tr>
<td>Montana</td>
<td>536,477</td>
<td>571,026</td>
<td>5,114,420</td>
<td>2,240,420</td>
</tr>
<tr>
<td>Total</td>
<td>$3,821,100</td>
<td>$10,615,374</td>
<td>$5,415,495</td>
<td>$19,852,065</td>
</tr>
</tbody>
</table>

It is interesting to note that between November 7th and January 16th while the War Finance Corporation loaned $19 1/2 millions, the Minneapolis Federal Reserve Bank was repaid $25 millions shown in the following table:

<table>
<thead>
<tr>
<th>(000's Omitted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 7-30</td>
</tr>
<tr>
<td>Checks issued</td>
</tr>
<tr>
<td>Reduction in</td>
</tr>
<tr>
<td>accommodation</td>
</tr>
</tbody>
</table>

Retail Trade, as reported by selected retail stores, exhibited a 39 per cent increase in sales during December over the November figure owing to the Christmas rush of purchases. For the same reason, the turnover during December improved materially while stocks at the end of December were down 13 per cent from the figure for a month ago. The dollar amount of sales during 1921 was 10 per cent below the total for the year 1920.

Wholesale Trade continued to decline in the case of hardware and agricultural implement firms. There was a 7 per cent increase in wholesale dry goods sales between November and December. While the volume of sales during 1921 was only one-third of the 1920 volume in the case of agricultural implement dealers and two-thirds of 1920 for hardware and dry goods, the outstanding notes and accounts receivable of these firms at the end of 1921 were only 18, 17, and 2 per cent below a year ago for the agricultural implement, hardware, and dry goods groups respectively.

Prices for the chief agricultural products of the district moved up during December. Median livestock prices at South St. Paul increased in four instances, and there were no declines. The price per cwt. for lambs was up $1.50 above November, veal calves increased 50 cents, and butcher steers and stockers and feeders were up 25 cents each. Median grain prices at Minneapolis showed four increases and two declines. Flax was up 8 1/2 cents, rye 7 cents, wheat 3 1/2 cents, and oats 1 1/2 cents, while corn declined 1 1/2 cents and barley 1 cent. The best grade of flour sold at $7.25 per barrel on January 15th, showing an increase of 25 cents over the middle of November. Wholesale produce prices at Minneapolis is strengthened during the month of December. The whole vegetable group, with the exception of potatoes and dried peas and beans, moved up, and there were increases in the price of hens and veal. In contrast with this general rise was the decline of the best creamery butter from 42 cents to 37 cents and of No. 1 eggs from 52 cents to 38 cents.

The Cost of Living in the Ninth Federal Reserve District declined 1 per cent between December 1st and January 1st, and the January 1st figure was 12 per cent below the figure for a year ago when the compilation of figures was begun. Minneapolis and
Paul showed declines of less than 1 per cent in the cost of living during December but were down 9 per cent respectively from a year ago.

December Median Grain Prices Show Little Variation from November.

The Volume of Payments By Check in 12 important cities of the Ninth Federal Reserve District declined 2 per cent between November and December. A year ago between November and December, owing to the spreading business depression and falling prices, the decline in the volume of check payments was 14 per cent. That prices are at a lower level this year than last is shown by the fact that check payments in December were 22 per cent higher in dollar amount than in December last year. Between November and December, while the total volume of check payments declined, there were decreases at only the four cities of Duluth, Superior, Fargo, and Grand Forks. As compared with a year ago, all cities showed declines except Grand Forks and Helena.

Building Permits granted in nine important cities of the Ninth Federal Reserve District showed a 40 per cent rise in valuation, but a 37 per cent decline in number between November and December. All cities showed declines in the number of permits issued, but in valuation, Minneapolis reported an increase in December over November of 96 per cent; Duluth Falls, an increase of 30 per cent; and St. Paul, an increase of 18 per cent. Building continues to on a larger scale than a year ago. The number of permits granted in December this year was nearly 30 per cent more than a year ago, and the valuation showed a rise of 64 per cent. Of the total building in December, 1921, 92 per cent was for new construction and only 6 per cent for repairs.

The Housing Situation in Minneapolis improved materially during December, although without effect rents, as yet. From advertisements in a large newspaper, it appears that the number of furnished houses to rent increased one-fifth between November and December; the number of unfurnished houses increased one-half; the number of finished apartments more than doubled; and the number of unfurnished apartments almost doubled. In contrast to this increase in dwellings to rent, advertisements asking for dwellings to rent decreased one-fifth. The housing situation was also much easier in December than a year ago, with one-fifth less applications for dwellings and three times as many dwellings to rent.

Lumber Sales at Retail reflected the close of the building season in this district with a decline of 49 per cent from November, and stocks of lumber were allowed to fall off 3 per cent during the month. The lumber retailer’s situation was better in December, 1921, than a year ago, for his stocks were down 31 per cent while the sales showed an increase of 23 per cent this year over last.

Lumber Manufacturers shipped 25 per cent less lumber in December than in November and their stocks declined 7 per cent. In spite of the decline in shipments there was 157 per cent more lumber shipped in December this year than a year ago.

Copper Producers in the Ninth Federal Reserve District reported an output in December of 6,399,285 pounds, which was an increase of 4 per cent over the November production, but a decrease of 71 per cent from the production of December a year ago.

The Movement of Live Stock at South St. Paul exhibited its customary decline in December from the November volume. Receipts of all classes of live stock were lower in December than in November. While there was an increase in the number of hogs shipped from South St. Paul, all other shipments declined. December receipts of calves and shipments of hogs and calves were at a higher level this year than last, while other receipts and shipments showed declines. Shipments of feeders showed pronounced declines in the case of cattle and sheep, and moderate declines for calves and hogs between November and December. As compared with a year ago, December shipments of feeder cattle and calves showed increases of 14 and 31 per cent respectively, although shipments of hogs and sheep for feeding purposes were down.

Grain Receipts at Minneapolis and Duluth declined only 3 per cent between November and December, owing to the abnormally severe slump in receipts during November.
The movement of corn normally reaches a peak in December, and 1921 December receipts reached a total of 3,400,000 bushels, representing an increase of 17 per cent over the receipts for November. Corn receipts in December were 74 per cent larger than during December a year ago, and the receipts of oats were also larger this year than last, but receipts of other grains declined, causing the total grain receipts at Minneapolis and Duluth to show a 17 per cent decline this year from a year ago.

Grain receipts at Minneapolis were 11 per cent larger in December than in November and shipments showed an increase of 13 per cent. Corn receipts at Minneapolis doubled and shipments trebled between the two months. Duluth grain receipts and shipments showed pronounced declines, owing to the closing of navigation at the head of the lakes. In spite of this adverse factor, corn receipts at Duluth in December were four times as large as in November and receipts of oats increased more than one-half.

Stocks of grain at Minneapolis and Duluth increased slightly between the end of November and the end of December. At terminal elevators in the two cities there were nearly 44 million bushels of grain consisting of more than 27 million bushels of oats, more than 10 million bushels of wheat, and smaller amounts of other grains. Stocks of corn, oving largely to an extraordinary increase at Duluth, were up 273 per cent in December over November figures. As compared with a year ago, corn stocks in terminal elevators of the two cities were more than six times as large, rye stocks were five times as large, oats stocks nearly trebled, and total grain stocks in elevators were up 80 per cent.

Flour Production in the Ninth Federal Reserve District was 24 per cent lower in December than in November and 20 per cent below December a year ago. Shipments of flour from both Minneapolis and Duluth declined between November and December with a total decline of 46 per cent, and combined shipments for the two cities were 9 per cent below December a year ago with a 25 per cent decline at Minneapolis but a 60 per cent increase at Duluth.

Shipments of Linseed Products increased nearly 4 per cent between November and December to about 24 million pounds, and were 39 per cent larger than a year ago. This increase was caused by a 15 per cent rise in oil cake shipments to 17,932,009 pounds; while shipments of crushed oil declined 20 per cent between November and December to 5,954,636 pounds.

The Acres Sown to Winter Wheat in the Ninth Federal Reserve District during the fall of 1921 totaled 494,000 acres. This is a somewhat larger figure than the 1920 fall sowing, the increases occurring in South Dakota and Minnesota. The number of acres sown to rye in the fall of 1921 also showed an increase for this district over the 1920 figure with pronounced increases in North Dakota (90%) and in South Dakota (40%). These increases are due in part to the favorable weather conditions this fall for planting, and also in the case of rye to the more favorable price conditions for this grain as compared with oats, barley, and corn in 1921, and to a desire on the part of farmers to clear their land of weeds with a rye crop.

Unemployment increased during December in the Ninth Federal Reserve District. The total number of unemployed, largely unskilled labor, increased materially, owing to the completion of road construction and other public work, and the closing of the general building season, although in the larger cities there was some increase in employment due to the adding of extra clerical help to take care of the Christmas rush. The strike of the packing house employees at South St. Paul has aggravated the situation in the Twin Cities. The city of Minneapolis is now providing food and lodging for eight hundred men at municipal expense. For the larger firms in Minneapolis, which are comparatively few in number, the United States Department of Labor figures show that employment has decreased 9.6 per cent. In the more important lines represented by these factories, decreases occurred as follows: in railroad repair shops, 18.4 per cent; in food factories, 6.5 per cent; and in textile mills, 1 per cent. There were also decreases in iron and steel factories and factories manufacturing vehicles.

Surveying the district generally, the demand for labor has been very slight, owing to the complete absence of agricultural operations of any importance, and the completion of public works and buildings. In Montana a slight improvement appeared during December in employment in lumber mills and copper mining establishments.

The Wages Paid for Farm Help in 1921 for the three states of Minnesota, North and South Dakota showed a 46.5 per cent decline from the average paid in 1920. The average for 1921 was $38 with room and board and in 1920 $71. The greatest decline took place in South Dakota.

While Business Failures in the Ninth Federal Reserve District reached their high tide for 1921 in November, the taking of inventories at the close of the year and, in the main, the consequent discovery of bankruptcy has maintained the December figures at nearly the high level of November. In December there were 100 business failures, which was a figure 17 per cent below November, but 127 per cent above December a year ago. Liabilities involved in December amounted to $2,518,515, representing a decrease of 26 per cent from November, but an increase of 119 per cent over a year ago.

Foreclosure sales in Minneapolis for the last quarter of 1921 showed the largest volume, both in number and in proceeds of sales, of any quarterly period in 1921 or 1920, with 67 sales amounting to $262,528.