

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

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TO THE

FEDERAL RESERVE BOARD

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7th Report

MINNEAPOLIS, MINN.

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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. This report will be mailed free of charge to anyone making request for it.

SUMMARY

The agricultural outlook at this season of the year is good. The condition of the winter sown crops is better in this district than the average for the whole United States, with an especially promising outlook for rye. Confidence was sustained in March by an increase of prices for nearly all farm products. Grain has been coming to market at a normal rate and live stock even more rapidly. This has given purchasing power to the farmer which has been reflected in a doubling of implement sales, and a substantial increase in wholesale sales of hardware, and a quadrupling of shipments of calves for feeding purposes.

The pecuniary volume of business increased during the month 10 per cent as compared with an increase at the same season last year of but 2 per cent. This has been due partly to the better prices, but also to improvement in important lines of industry and production. There were increases in copper production, lumber manufacturing, retail lumber sales, flour production, flour shipments, and wholesale trade.

This improvement in business activity, coupled with the prospect of spring farm work, the reopening of the copper mines, and the large increase in buildings projected, has relieved the tension in the unemployment situation and has maintained retail trade at an unchanged level.

However, this increase in the volume of business and in prices has not developed rapidly enough to

bring profits sufficient to stop the failure of an increasing number of business concerns. The failure liabilities reached a new peak during the month of March, and foreclosures have increased in number.

The demand for money and credit has been small with market interest rates declining and savings growing slowly. The need for funds for spring seeding has been realized this year as usual with an expansion of Federal Reserve loans for this purpose, but the demand developed four weeks later than last year. Confidence generally in financial affairs has improved in this district as shown by the increased buying of investments, including stocks. The easier banking situation is reflected by banks increasing their purchases of bonds and mortgages.

The northwestern farmer is by no means "down and out." Reports received from important officials throughout the states of our district show that there has been no spread of pessimism this spring, even though the farmer's volume of debts has not declined and he has not had much money to spend. The continued advance of prices in agricultural products and the turn of the season has renewed optimism and all parts of the district are looking forward to a good year.

Even a poor crop this year would not have as harmful an effect as previous crop failures, for farmers have shown a marked tendency to go into mixed farming in the district where crop failures have been frequent. Mixed farming prevents adverse prices or the failure of one crop from having an important effect on the welfare of the farmers.

LATEST WIRE ADVICES ON WHEAT CROP ON PAGE EIGHT.

In Montana and western North Dakota in particular, farmers are shipping in dairy cows and are weeding out the "boarders" which pay for their feed in milk only during six weeks of the summer. Farmers are also increasing their holdings of poultry and hogs and are growing more forage with which to feed their increase of animals. There is also an increasing acreage being planted to potatoes.

Financially the farmer's situation has not improved since 1921. Conditions are not as bad in Minnesota and North Dakota as they are in Montana and South Dakota. There has been an increase in the defaulted taxes in nearly every section of the district ranging from a small amount to a doubling of the 1921 defaults. More farms are in foreclosure now than a year ago, but there is not any great movement for tenant farmers to desert their farms in the present dull labor market.

All existing financial institutions are now helping the farmer to finance his spring operations. The Federal Reserve Bank of Minneapolis has already experienced the customary spring expansion of rediscounts of farmers' notes for its member banks, which enables these member banks to grant short time loans to finance the seeding operations of farmers. For farmers who have no security to offer their local banks, the Department of Agriculture has been making some provision in the form of direct seed loans. Such loans had been made to the extent of about one quarter million dollars by the middle of April, of which three-fourths were made in the State of North Dakota. It was decided that these loans should be limited to central and western North Dakota, northern and eastern Montana, a few counties in northwestern South Dakota and a small area outside of this Federal Reserve District.

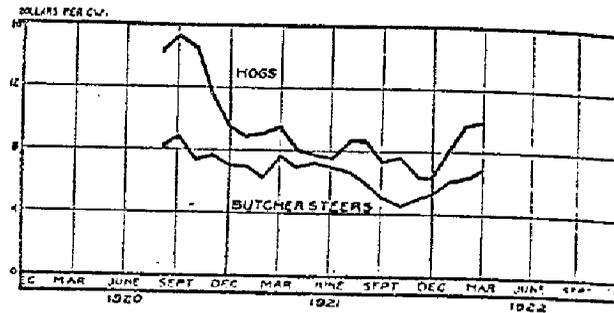
Loans of a longer maturity or of a capital nature, which are not legally eligible for rediscount by the Federal Reserve Banks, have been made freely by the Federal Land Banks and the War Finance Corporation. In this district the Federal Land Banks had outstanding about 80 millions of loans at the end of March; and new loans are being closed at the rate of about 2 1/2 millions per month. This revival of mortgage credit is an important step for the final liquidation of the farmers' "frozen credits."

GENERAL SURVEY

Winter Sown Crops were in good condition in this district on April 1, according to reports from the United States Department of Agriculture. The condition of winter wheat ranged from 70 per cent of normal in Montana to 90 per cent in South Dakota. The condition was 58.4 per cent for the whole United States. The condition of rye was also better than the United States figure in Minnesota and South Dakota, and almost as good in Montana and North Dakota. As North Dakota this year has 31 per cent of the total rye acreage planted in the United States, the favorable condition of the rye crop in this State is important.

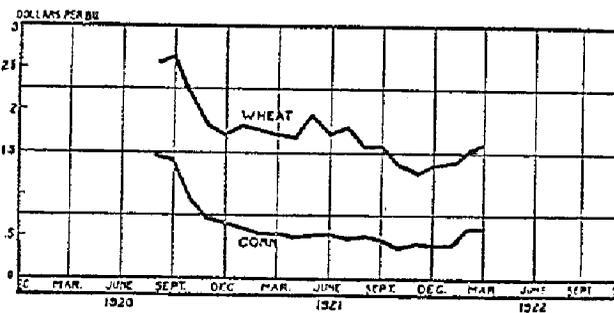
Prices of the majority of farm products at wholesale continued to rise during March, but the prices of flour and of wholesale produce fell.

The median prices of all livestock, except veal, at South St. Paul rose during March. Lambs rose two dollars to \$14.00 per cwt., a price which was almost double that of October, when the increase in the price of lambs began. The other increases in livestock prices were not pronounced and veal calves declined \$1.00.



Median Prices of Hogs and Butcher Steers at South St. Paul

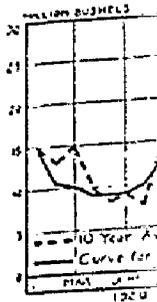
The median prices of wheat, corn, barley, and flax at Minneapolis rose during March, while oats and rye declined. The increases and declines in median prices were less than 3 cents per bushel for all grains other than flax which rose 1 1/4 cents between February and March. The price of flax has risen 76 1/4 cents per bushel since November, reflecting the growing scarcity of this grain.



Median Prices of Wheat and Corn at Minneapolis

The price of Washburn-Crosby's best flour declined from \$8.50 per barrel on March 1 to \$8.00 on April 1 of this year.

The majority of our selected list of wholesale staples declined in the Minneapolis market during March. There were declines in hens, veal, cucumbers, cabbage, celery, tomatoes, rhubarb, and green beans, and increases only in eggs, navy beans, and lettuce.

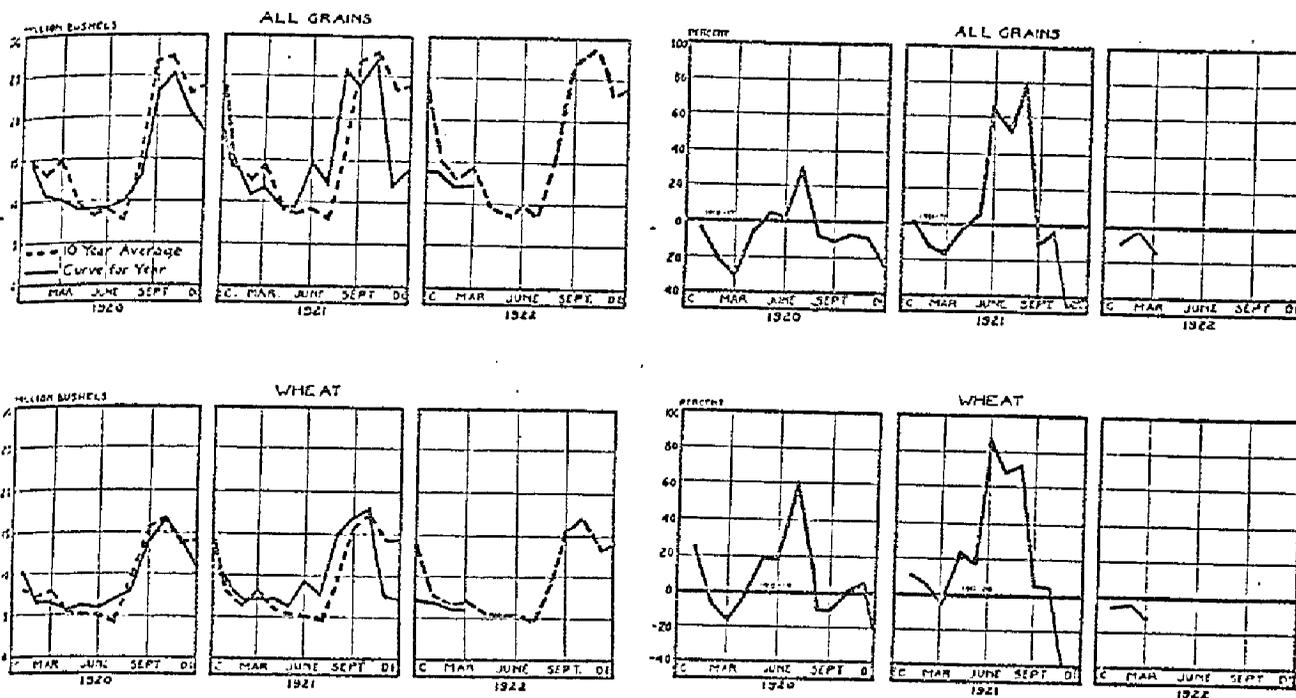


Monthly Receipts of

Grain Receipts about normal to the fact above normal. The normal came to market. The average and Duluth February decline of barley, flax, although receipts at larger in March of rye more than last year's.

Stocks at the end of increased anticipations season, combined and were Stocks of increases a year ago times as were most.

Butter prices in March and February



Monthly Receipts of All Grain and of Wheat at Minneapolis Compared with the Ten-Year Average (Left)
 Receipts of All Grain and of Wheat at Minneapolis—Percentage Deviation from Ten-Year Average (Right)

Grain Receipts at Minneapolis and Duluth were about normal in the aggregate during March, owing to the fact that wheat receipts were only slightly above normal and receipts of oats slightly below normal. Receipts of rye, however, were three times the normal amount for March, and flax and barley came to market at only one-half of the normal rate. The average daily grain receipts for Minneapolis and Duluth were somewhat larger in March than in February due principally to a trebling of rye, a doubling of barley, and a small increase in wheat and in flax, although corn and oats declined. Grain receipts at Minneapolis and Duluth were one-third larger in March than in March a year ago. Receipts of rye more than trebled and corn more than doubled last year's figures.

Stocks of grain declined in Minneapolis between the end of February and the end of March, but increased (with the exception of flax) at Duluth in anticipation of the opening of the lake shipping season. Flax stocks at Minneapolis and Duluth combined declined for the ninth consecutive month, and were only 6 per cent of the stocks last year. Stocks of the other grains except barley showed increases at the end of March this year over March a year ago. In fact, rye stocks were more than 12 times as large this year as last and stocks of corn were more than 5 times as large.

Butter Production by fifteen representative creameries in Minnesota increased one-fifth in March over February and was also larger than in March last

year. The number of dollars paid to patrons showed a greater increase in March over February than did the butter production; but, while butter production was larger in March this year than a year ago, the amount paid to patrons was 12 per cent less.

Wholesale Trade increased in March over February. Sales of farm implements nearly doubled, hardware sales increased almost one-half and there was an important increase in sales of groceries, using the daily average sales to compare March with February, which was a shorter month. Dry goods and shoe sales declined somewhat in March from the February total. As compared with a year ago, wholesale sales of dry goods, hardware, and shoes have declined one-fourth in March, and farm implement sales were more than one-half this year of a year ago. Sales of groceries, however, showed a very small decline. For the first three months of 1922, sales of shoes showed an increase over the same period in 1921, and sales of the other classes of merchandise declined, the greatest decline appearing in sales of farm implements.

The Volume of Business as indicated by payments through banks, showed a 10 per cent increase in March over February in 12 important cities of the Ninth Federal Reserve District. A year ago between February and March the increase in the volume of payments was only 2 per cent. The volume of payments in March was practically the same as in March last year.

Livestock Receipts at South St. Paul were above normal in March with the exception of sheep. Receipts of calves in particular were more than twice the normal amount, while receipts of sheep declined to about one-half of normal. The daily average receipts of all livestock was somewhat less in March than in February, owing to a smaller volume of hogs and sheep.

As compared with a year ago, receipts of livestock in March this year showed a 10 per cent decline. Receipts of sheep were about one-third of a year ago and hogs were somewhat less than a year ago; but cattle and calves have shown increases this year over last year.

For the first three months of 1922, more cattle and calves came to the South St. Paul market than in the same period in 1921, but fewer hogs and sheep were received and the total number of head of all livestock received was somewhat less this year than last.

The movement of feeders to the country was much stronger in March than in February. Four times as many calves were shipped out and shipments of feeder cattle and hogs increased about one-half. Sheep, however, declined more than a fourth in March. As compared with a year ago, shipments of feeder calves were almost four times as great in March this year, and there was an increase of a fourth in shipments of feeder cattle, while hog and sheep shipments declined materially.

The number and valuation of Building Permits issued in nine important cities of the Ninth Federal Reserve District during March were almost three times as large as the number issued in February, indicating that prospective building is being favorably affected by the approach of spring. The number of building permits issued in March more than doubled the number issued in February in every city of the nine, and the valuation of permits more than doubled in every city except Fargo. As compared with a year ago in March fewer permits were issued in four of the cities and the total number of permits issued for the nine cities was somewhat less. The valuation of permits issued, however, was larger in March this year than a year ago, in all but three of the cities. The total valuation for all cities combined increased three-fourths.

The average size of the permit in March was about the same as in February, but materially larger than the average permit in March a year ago, indicating that larger buildings are being erected this year than last. The large building projects are mainly public and school buildings.

Average Building Permits

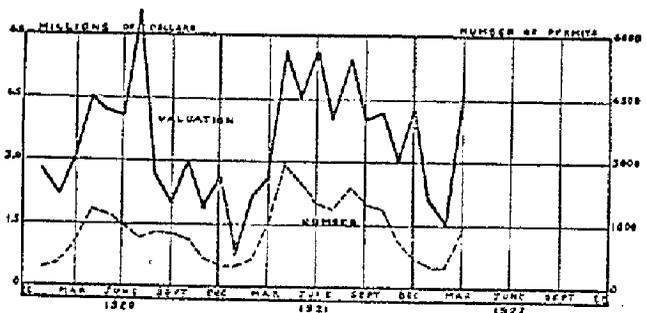
A study of the dollar amount of the average building permit in six important cities of this district from 1913 to 1921 shows that building in this district has reacted very normally to the influences of the business cycle. In a period of depression the volume of building is small, and such buildings as are erected are small and as inexpensive as it is possible to make them. Consequently the average building permit is for a comparatively small dollar amount. As the depression draws to a close and business confidence in the stability of prices revives, home building usually increases before the building of larger structures such as office buildings, and factories which are begun only after profits have revived.

As the business revival develops there is an increase in industrial activity. Profits are growing, building costs are comparatively low and the combination of these two circumstances results in an increase in the building of industrial structures. During this period the average building permit grows in size.

There follows a period of declining home building for with the increase in construction activities the costs of construction have risen. The large profits of industrial concerns have continued and for the moment there is no diminution of industrial building. At this time the average building permit reaches its peak.

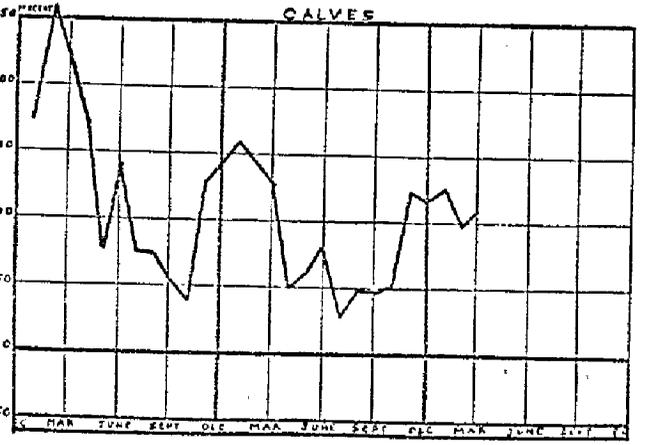
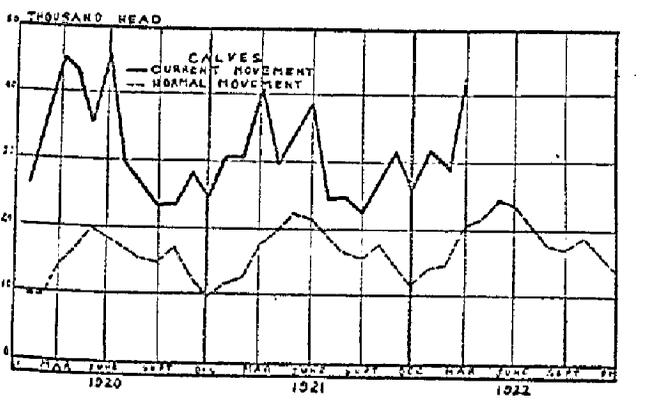
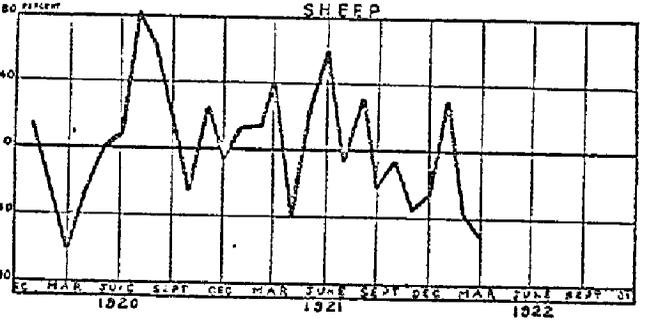
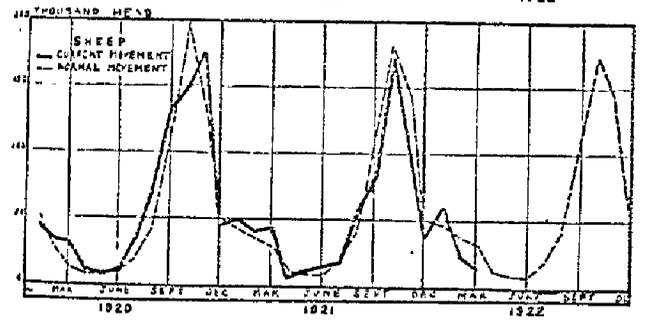
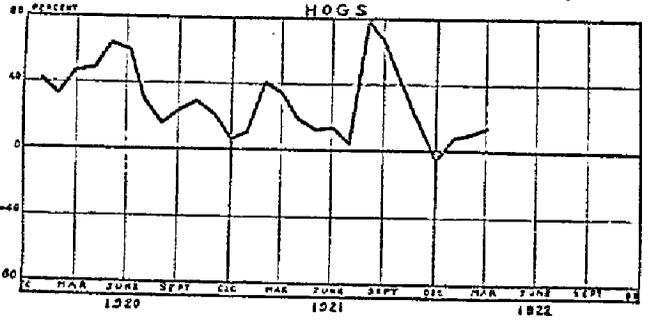
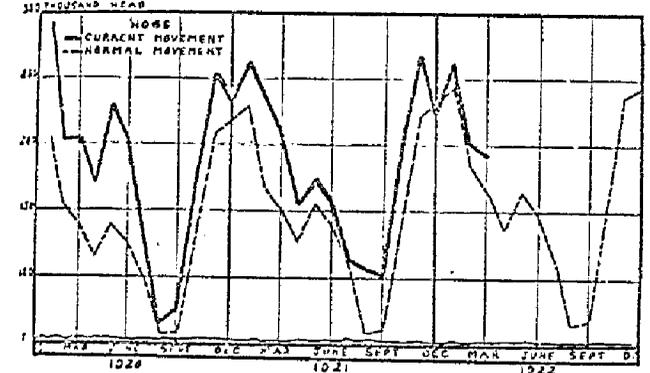
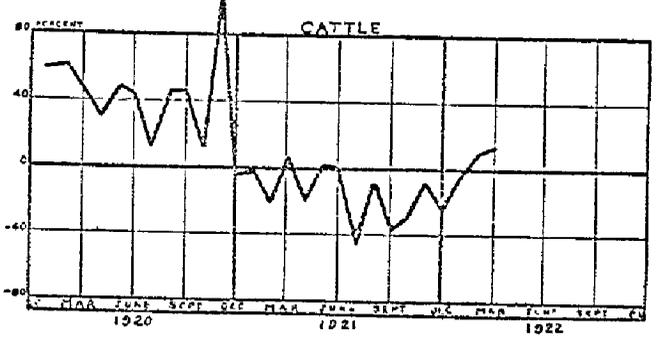
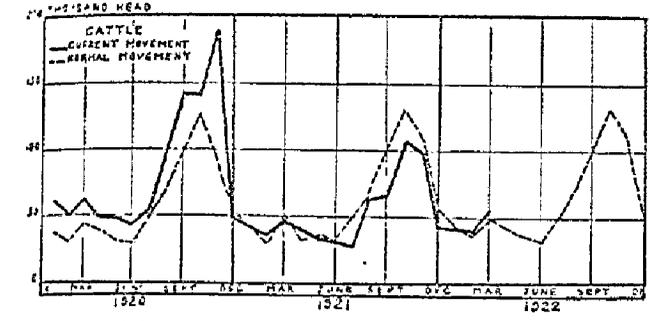
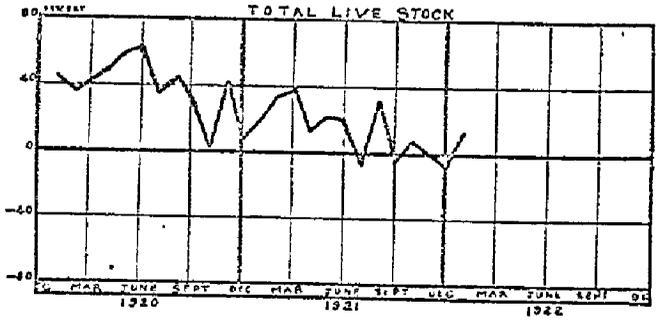
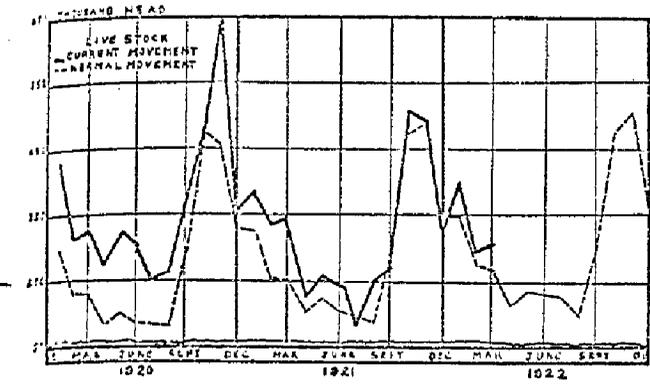
Finally just before a business crisis, the costs of construction rise very rapidly, funds of industrial concerns are all utilized in the purchase of raw material in order to meet the seemingly inexhaustible demand for goods and building falls off sharply. The condition of almost no building which is the characteristic of the period of depression, follows immediately.

In this district from 1913 to 1915, business was fairly normal and there were only minor fluctuations in the dollar amount of the average building permit. In 1916 the size of the average building permit was the largest of any of the nine years considered, owing to the boom which took place just prior to the entrance of the United States into the war. Then in 1917 and 1918, the size of the average building permit returned to the 1915 level owing to caution, economy, and restrictions placed on building to conserve material for war purposes. In 1919 the average building permit again reached a peak, owing to the post-war boom. The year 1920 showed a smaller average building permit since the crisis in business cut short the business boom in the early part of the year. In 1921 the lowest average



Building Permits Granted in Nine Cities of the Ninth Federal Reserve District

Monthly Receipts of Live Stock at South St. Paul Compared with the Ten-Year Average (Left)
 Receipts of Live Stock at South St. Paul—Percentage Deviation from Ten-Year Average (Right)



permit of the nine years considered, was experienced, owing to the depression following the crisis of 1920. The figures follow:

1913	\$2,583	1918	\$2,527
1914	2,918	1919	3,209
1915	2,476	1920	2,897
1916	3,613	1921	2,284
1917	2,420		

The average permit for the first three months of 1922 was \$3,239 as compared with an average of \$2,014 for the same months in 1921.

Retail Lumber Sales at 701 yards in the Ninth Federal Reserve District were more than twice as great in March as in February but a tenth lower than in March a year ago. Stocks increased slightly during the month of March but were one-fifth lower than last year.

Shipments by nine lumber manufacturers and orders placed with these manufacturers increased one-half in March over the February total and were more than one-half greater than shipments and orders during March last year. Lumber cut was one-fourth more in March than in February but one-tenth less than in March a year ago, and stocks declined during March and were lower than last year.

The output of Copper in the Ninth Federal Reserve District increased one-third between February and March, but was still one-fourth below the production in March a year ago. There was produced during March a total of 18,011,148 pounds of refined copper by five of the largest companies in this district.

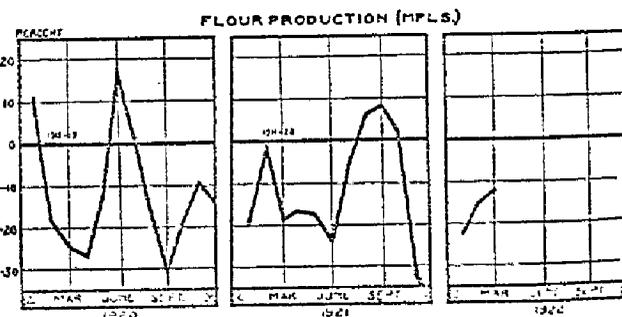
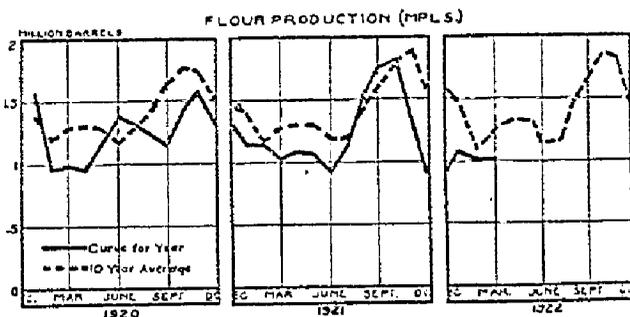
Retail Trade activity in the Ninth Federal Reserve District as reported by sixteen representative stores was about the same in March as in February although owing to the fact that March was a longer month, the dollar volume of sales for the month was one-fifth larger than the volume in February. Sales in March were 17 per cent below the volume a year ago. Stocks were larger at the end of March than at the end of February or at the end of March a year ago.

Unemployment in this district is no longer acute. Spring farming operations have been delayed by inclement weather, but when weather conditions become favorable, as they are bound to do in the next week or so, the rush to get the crops in the ground

will withdraw the surplus labor from the cities and unemployment will be practically at an end. In addition to the demand for farm labor, present indications show that there will be a large building program which will draw heavily on the supply of skilled labor, and both the copper and iron mines are reopening, absorbing the surplus of mining labor.

At Minneapolis and St. Paul, while both help wanted and registrations of unemployed men increased in March over February, there was a larger increase in the applications for services than in the applications for positions by men out of work. In the large industries of Minneapolis there was a small increase in employment, called normal in the report of unemployment issued by the U. S. Department of Labor.

Flour Production in the Ninth Federal Reserve District, taking the daily average production as an index, showed greater activity in March than in February. Minneapolis production was about the same in March as in February and was somewhat below the normal for the month. Production at St. Paul increased slightly and production at Duluth and Superior doubled. Outside mills increased their production somewhat. As compared with a year ago, the total production of all mills showed a small increase in which all mills other than those at St. Paul participated.



Monthly Flour Production at Minneapolis Compared with the Ten-Year Average (Upper)
Flour Production at Minneapolis—Percentage Deviation from Ten-Year Average (Lower)

NINTH FEDERAL RESERVE DISTRICT

Flour shipments from Minneapolis and Duluth were slightly larger in March than in February, owing to March being a longer month. March shipments this year were slightly larger than those in March a year ago. Duluth showed larger increases over last month and a year ago than Minneapolis.

twice the amount as in any quarter of 1921. There were 102 foreclosure sales amounting to \$544,000, in the first quarter of 1922.

The daily average of Linseed Product Shipments was only two-thirds as great in March as in February. Oil cake moved out only one-half as fast, and there was a slight decline in the daily oil shipments. As compared with a year ago, shipments of linseed products were only three-fifths as great during March, with the greatest decline occurring in oil cake shipments.

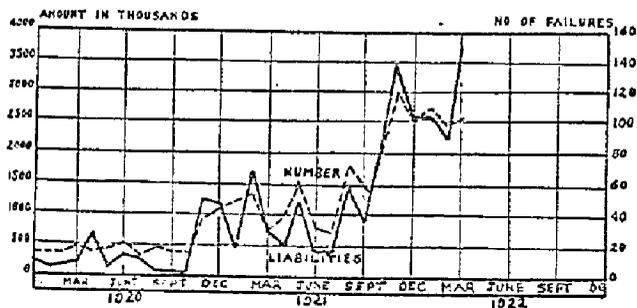
The usual spring increase in Loans to Member Banks by the Minneapolis Federal Reserve Bank began four weeks later this year than last, owing to the lateness of the crop season. Reviewing mid-week figures for each year, in 1921 the increase in borrowings began on March 18; this year no increase occurred until April 12.

The Cost of Living in the Ninth Federal Reserve District as indicated by reports from seven selected cities, increased one-tenth per cent between March 1 and April 1, although at Minneapolis and St. Paul there were small declines. Our cost of living index shows that retail prices have declined approximately 15 per cent in this district since January 1, 1921.

Interest Rates prevailing at Minneapolis declined between March 15 and April 15 on all classes of paper other than customers' paper eligible for rediscount with the Federal Reserve Bank and commercial paper purchased in the open market. There were declines of one-half per cent on inter-bank loans and demand and time paper secured by stock exchange collateral, cattle loans, commodity paper, and commercial loans secured by Government obligations. Bankers' acceptances declined one-eighth per cent. The only increase was in commercial paper purchased in the open market running from four to six months, which was up one-fourth per cent.

Business Failures in the Ninth Federal Reserve District as reported by Dun's Review reached the largest total in liabilities during March that has been reported for the current period of reconstruction, exceeding the previous high point of November, 1921, by \$350,000. The number of failures reported during March was 103, with liabilities amounting to \$3,764,602. These figures were larger both in number and liabilities than in February, and were nearly four times as large in number and more than five times as large in liabilities as in March a year ago.

Savings rose about 1 per cent in Twin City savings banks between March 1 and April 1 and were 3 per cent more than a year ago. From reports secured this month from Duluth for the first time, it appears that there was a slight decline between March 1 and April 1 in savings deposits in that city, and deposits on April 1 were 8 per cent lower than a year ago.



Business Failures in the Ninth Federal Reserve District (Reports from R. G. Dun & Co.)

Sales of Investments by important local houses increased one-half between February and March. A pronounced increase in favor was shown in the case of city mortgages, municipal bonds and stocks. There were also increases in the sales of corporation bonds and foreign securities, but a decline in sales of farm mortgages. As compared with a year ago, March sales of foreign securities and stocks were eight times, municipal bonds three and one-half times, and city mortgages twice as large. Corporation bond sales were up one-half, and farm mortgage sales showed a smaller increase. The total sales were more than twice as great in amount this year as a year ago. A slightly larger percentage of the sales were made to bankers in March than was the case in February.

Foreclosure sales in Hennepin County, in which Minneapolis is situated, in the first three months of 1922 were twice as numerous and for more than

LATEST CROP REPORTS

Telegraphic advices from Northwest points were received by this office on April 26 covering crop conditions. As compared with the same date a year ago, it appears that the spring wheat acreage is probably less and seeding two weeks later; whereas winter wheat appears to have an unchanged acreage with a condition somewhat better than last year at this time. A summary of conditions in the separate states follows:

Minnesota

East of the Red River Valley in western Minnesota spring wheat planting is about 25 per cent complete. The acreage to be planted is somewhat reduced from last year. Seeding, however, is general and going forward rapidly. It should be completed in two weeks. In central Minnesota (Litchfield) wheat seeding is completed with an acreage about the same as last year. In the southern part of the State, the wheat acreage will be 25 per cent less than last year. Practically all small grain seeding in this section will be done this week. Soil and moisture conditions are very favorable in all parts of the State.

South Dakota

In South Dakota, spring wheat seeding is about completed in the eastern portion, but in the northern section (McIntosh) seeding is only 75 per cent complete. In the Huron and Redfield country seeding is about 75 per cent done. Seeding should be

finished by May 2 or 3. Reports vary as to wheat acreage. Probably there will not be much change from a year ago. Although the wheat acreage is not important in the southeastern section, small grain seeding is about completed.

North Dakota

Wheat seeding in North Dakota varies from 80 per cent complete in the northeastern counties to 10 per cent complete in the southern and 25 per cent in the western portion of the State. Seeding will be complete in from one to three weeks. The acreage planted to spring wheat will be reduced one-fifth, owing to the cold and wet weather in April and to the increase in rye acreage. Soil and moisture conditions are very favorable.

Montana

In Montana spring wheat seeding is only about one-tenth complete except in the northeast section (Plentywood). It was estimated that it will require from three weeks to 25 days to complete wheat seeding in the majority of the sections heard from. The acreage sown to spring wheat this year will be larger than the acreage a year ago. Winter wheat in Montana is in excellent condition. There were practically no reports of winter kill and the grain is somewhat ahead of last year, although the acreage sown to winter wheat was less this year than last. Reports state that moisture and soil conditions are better than at any time since 1915 which was a bumper year for Montana.

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