

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

JOHN H. RICH, FEDERAL RESERVE AGENT

TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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59th Report

MINNEAPOLIS, MINN.

June 28, 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. This report will be mailed free of charge to anyone making request for it.

SUMMARY

In this district the month is characterized by a movement of farm products to market greater than normal and at rising prices, while manufacturing and building operations have increased, giving practically full employment to labor. This has been reflected in a greater use of credit facilities, which remain amply sufficient to finance this activity.

Crop prospects appear very good at the present time, but it is important to remember that fully six or more additional weeks are required to complete the most critical part of the growing season in much of this territory; and during this period drought, floods, rust, insects and wheat sprouted in the shock may all have an effect on the yield. In fact, the present crop is far from completion and subject to many contingencies. It may, therefore, be questioned whether any one is justified in executing now a budget of expense, based on the assumption of a realized crop. The present condition of the crop indicates that, if conditions remain unchanged, there will be 73 per cent more rye, 30 per cent more oats, 27 per cent more barley and 25 per cent more spring wheat produced in the Northwest than last year. But conditions never remain unchanged. Excellent pasturage but decreased flax acreage are also reported.

The marketing movement of farm products was noteworthy in May. Hogs and calves moved to market much more rapidly than normal for this season, but the sheep movement declined. Grain receipts were abnormally large in May, with the largest increases shown in corn, oats and rye. Cash prices for these products increased generally in May, with the greatest gains in grains and moderate gains in all live stock except hogs and lambs. City consumers experienced a slight increase in the prices of articles included in a typical family budget.

The volume of buying, both at retail and at wholesale, increased in May. Retail lumber sales increased about one-third and department store sales were about the same as in the preceding month. Wholesale sales of farm implements, dry goods, hardware and groceries increased, while sales of shoes declined.

Stocks of merchandise and materials as compared with a year ago were greater in the case of grains and department stores, but less for lumber. As compared with the preceding month, however, stocks of both grain and lumber declined, while department stores reported a slight increase.

Manufacturing during the month improved generally, with particularly satisfying gains in the copper and lumber industries. The gains were very marked as compared with a year ago in both lumber and copper.

Building operations projected in important cities increased in May, according to the number and value of permits granted, although normally at this season of the year there should be a slight decline. The valuations are much greater than a year ago, and there is evidence that the need for housing is rapidly being met, as there has been a noticeable improvement in the rental situation as reflected by advertisements.

Employment conditions have undergone a noticeable change during the last 30 days, because all labor now wanting work is able to find it and employers for the first time in two years are not able quickly to find needed help.

The improvement which took place in the volume of general business, as shown in the foregoing paragraphs, was reflected in the volume of bank debits in important cities, the increase being 6 per cent for the month, although in the same month during the

last two years there has been a seasonal decline. This improvement in volume has given business firms a better turnover, and doubtless somewhat better profits. The figures for business failures substantiate this conclusion, as they declined during the month, although remaining at higher levels than a year ago. The opening of lake traffic has not had an appreciable effect this year upon the volume of business, as the movement of iron ore eastward has been considerably reduced, owing partly to expected reductions in rates, while the westward movement of coal has been negligible.

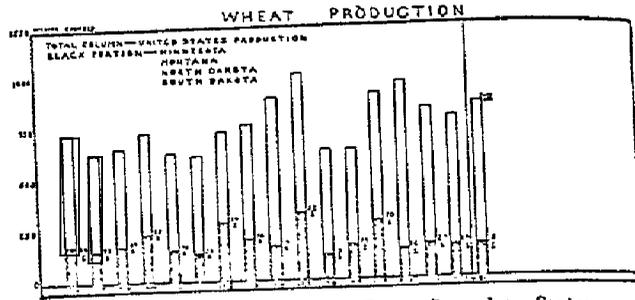
The coal situation is a matter of greater concern in the East than in the Northwest at the present time. Anthracite receipts at Duluth are more than one-quarter million tons less than last year at the same date. The non-union mine production of bituminous coal may increase sufficiently to meet its demand. But, unless substantial improvement is made in the anthracite shipments, the opening of winter will develop a crisis which will require rail shipments at a much greater cost than that of lake transportation.

The commercial banking situation in the Northwest apparently has returned to the level prevailing in the fall of 1919, if conclusions may be drawn from current interest rates and the amount of bankers' borrowings from this Federal Reserve Bank. This does not take account, however, of the new loans made in this district by the War Finance Corporation and the Farm Land Banks, nor of the seed loans made by the federal government. In the fall of 1919, interest rates had been rising, whereas now they have been falling. The condition of important banks in the larger cities of this district reflect better business confidence and some expansion of activity because the loans made to their customers have been rising. There has also been a rise in deposits except in the case of Twin City banks having country correspondents.

GENERAL SURVEY

Crop Prospects: While the spring wheat acreage in this district has been reduced about 7 per cent from the 1921 acreage, according to the June 1 report of the United States Department of Agriculture, growing conditions are so good that the total estimated production, if all conditions remain favorable, will be 25 per cent larger than the final estimate for the 1921 crop. This district, however, according to latest estimates, will not produce its usual share this year of the total wheat production in the United States. According to the June 1 estimate, it will produce but 18 per cent of the total wheat production in 1922, whereas on the average for 16 years (1906-1921), this district produced about 25 per cent of the wheat raised in the United States. It has produced as high as 39 per cent (in 1912), while the lowest per cent that it has ever produced was 14 (in 1919). The total wheat production for this

district is estimated at 191,940,000 bushels, of which 182,876,000 bushels are spring wheat.

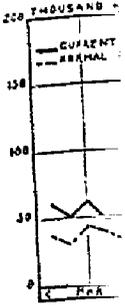


Wheat Production in the Four Complete States of the Ninth District Compared with the Total United States Production

The condition of rye on June 1 was 4.5 per cent better than on May 1. The forecast as of May 1 was 38,798,000 bushels for the four states of Minnesota, Montana, North and South Dakota, while the forecast on June 1 was 40,164,000 bushels. With favorable conditions for the rest of the season this district should produce 73.5 per cent more rye than the 1921 crop. While all states shared in the improved outlook for rye, Montana showed the largest increase in estimated production as compared with the May 1 figures.

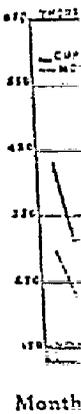
The acreage planted this spring to oats and barley was practically the same or slightly less than the 1921 acreage. The estimated production, however, for both oats and barley is considerably larger than last year. The total Ninth District estimate for oats is 314,449,000 bushels, while the 1921 estimate was 229,772,000 bushels. The estimated barley production for the four states comprising the chief grain-raising section of this district, is 27 per cent larger than last year, or 67,374,000 bushels, compared with a production in 1921 of 53,231,000 bushels. In spring wheat, oats and barley, Montana shows a larger increase over the 1921 final estimate than any of the other states in this district.

Weather conditions for the past month have been unusually good. Rye is headed out in most sections and is generally in fine shape. There has been scattering damage from hail and some unfavorable weather conditions in northern Minnesota, while the dry weather in south central South Dakota has caused some anxiety. In other sections the heavy rains have interfered with the farm work to such an extent that prominent authorities predict a reduction in the flax acreage. The wet weather, however, has been favorable for pastures and forage crops, which have a large acreage this year and are in excellent condition. This is especially true in Montana, where feed is an important factor in live stock raising and where the domestic supply for the last few years has fallen short of the demand. The present tendency is toward diversified farming, with a consequent increase in feed crops, sugar beet and



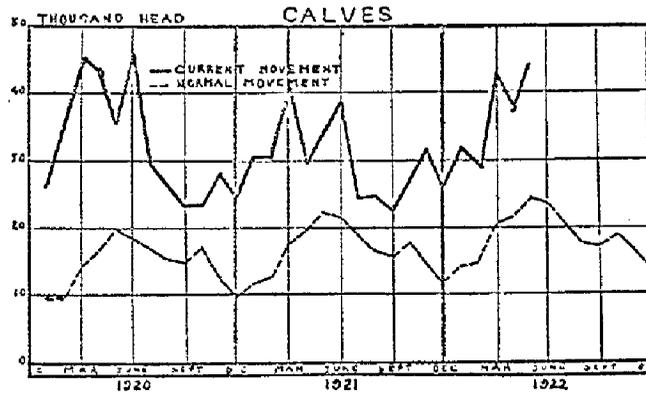
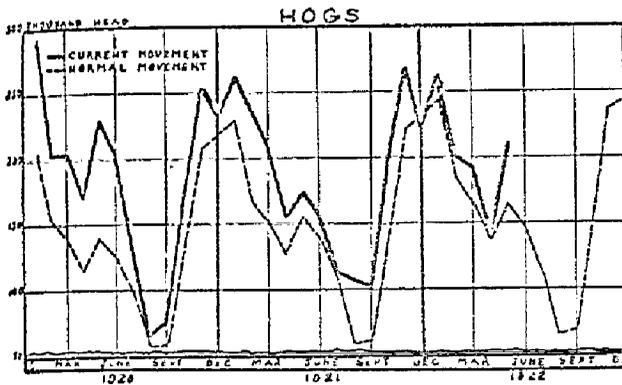
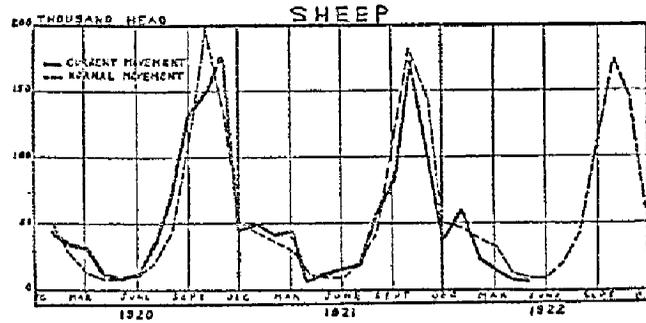
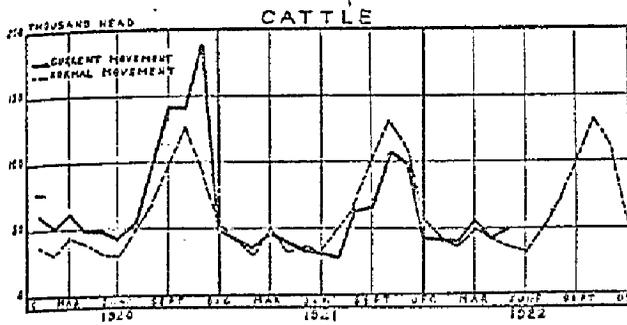
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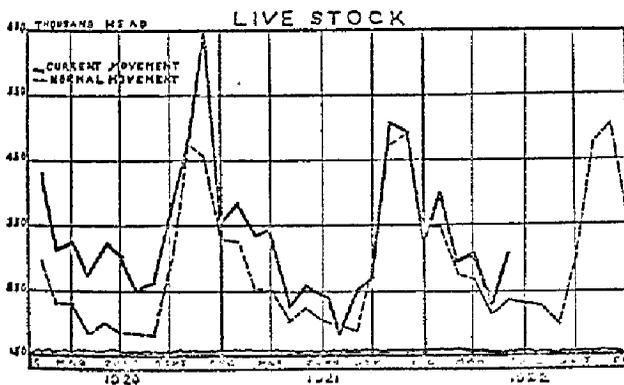


Monthly Receipts of Livestock by Classes at South St. Paul Compared With Ten Year Averages

seed crops, of which field peas is the most important. On the whole, in spite of the late spring, the crops are in good condition and growing rapidly and all indications at this time point to a large crop this fall.

Live Stock Receipts at South St. Paul increased one-third between April and May. Normally between April and May there is an important increase in receipts of hogs and a slight increase in receipts

of calves, while receipts of cattle and sheep decline. This year, receipts of hogs and calves increased more than the normal amount and the calf receipts were again about twice the normal volume. Sheep receipts showed a decline during May from the April figure and were again below normal. Cattle receipts, which were about normal in April, moved up instead of down during May. Shipments of all classes of feeders increased during May over April and were materially larger than a year ago.

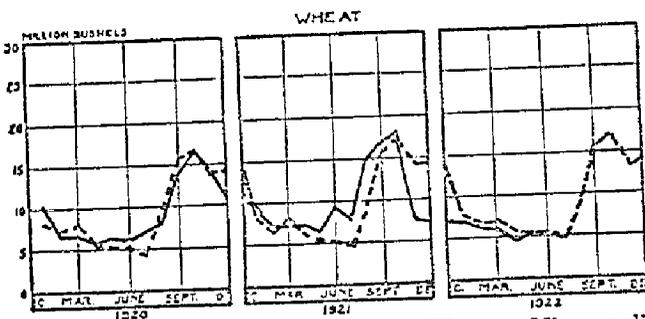
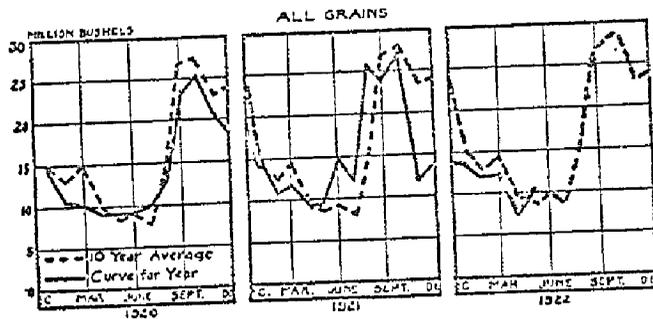


Monthly Receipts of Live Stock at South St. Paul Compared with the Ten-Year Average

Elevator Stocks of Grain at Minneapolis and Duluth were 40 per cent lower at the end of May than at the end of April, but more than two-thirds larger than a year ago. Stocks of barley, corn, wheat and oats showed important declines during May, but rye and flax stocks increased slightly. Flax stocks were only 6 per cent of a year ago, but stocks of rye were more than twice as large, wheat more than three times as large, and corn almost 16 times as large as a year ago.

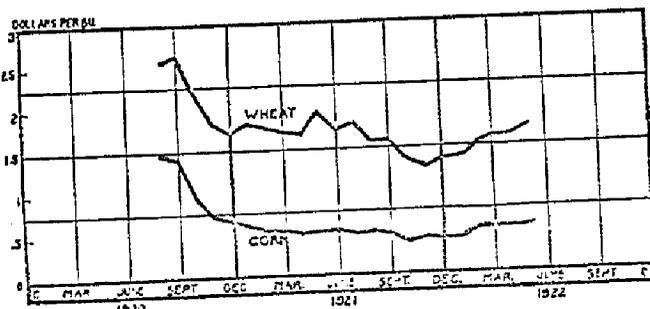
Grain Receipts at Minneapolis and Duluth combined increased almost two-thirds in total in May over April, and every grain showed an increase, ranging from 30 per cent for wheat to 160 per cent for rye. Receipts of corn, oats and rye more than doubled.

Both Minneapolis and Duluth showed increases in about equal volume. This large increase is abnormal for May. Normally, most grains show slight declines in receipts between April and May. As compared with a year ago, receipts of every grain but flax at Minneapolis and Duluth showed an increase. Receipts of corn were three times as large; receipts of oats and rye were between two and three times as large, and barley receipts were up one-fourth. Flax receipts, on the other hand, were less than one-half as large in May this year as a year ago.



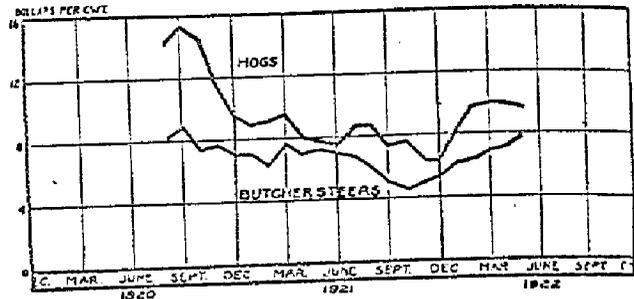
Monthly Receipts of all Grain and of Wheat at Minneapolis Compared with the Ten-Year Average

Cash Prices at Central Markets of the important products of the farm other than hogs and lambs showed marked increases in May over April. Taking the median price in each case, wheat increased $10\frac{1}{4}c$ per bushel, rye $4c$, corn $3\frac{1}{4}c$, barley $3c$, oats $1\frac{1}{2}c$ and flax $13\frac{1}{2}c$. The price of flax is now more than \$1.00 higher than in November, 1921, when the present shortage and consequent strengthening of the price began to be noticeable. In the live stock group, butcher steers and butcher cows



Median Prices of Wheat and Corn at Minneapolis

increased $50c$ per hundredweight, stock and feeder steers $25c$, and veal calves \$1.50. Hogs, on the other hand, declined $15c$ per hundredweight, and lambs were down \$1.00.

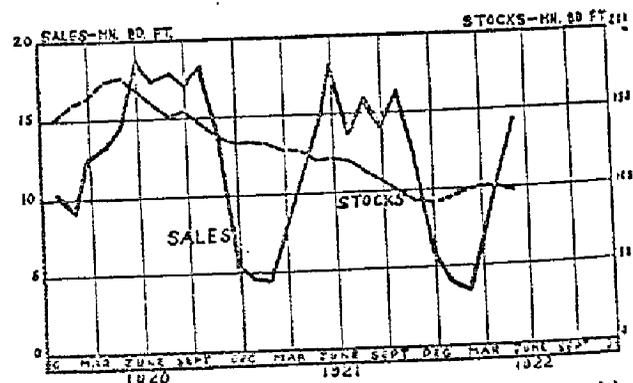


Median Prices of Hogs and Butcher Steers at South St. Paul

Prices of dairy products, dressed meats and garden truck at the Minneapolis wholesale market showed about as many increases as declines. The best flour declined at wholesale from \$8.25 per barrel on May 1 to \$7.85 on June 1, and showed a further decline to \$7.65 on June 15.

Our cost of living index was substantially unchanged in May but was 6.5 per cent lower than June 1, 1921, and 14.1 per cent lower than January 1, 1921.

Retail Buying was about as large in volume at the department stores in May as in April; but purchases of lumber for building increased more than a third. Purchases from department stores were about 2 per cent less in May this year than a year ago, and lumber purchases showed a 7 per cent increase. Stocks of merchandise in department stores increased 2 per cent during May and were 4 per cent larger than a year ago; while lumber stocks were about the same at the end of May as at the end of April and 20 per cent lower than a year ago.



Retail Lumber Activity (Reports from 437 line yards)

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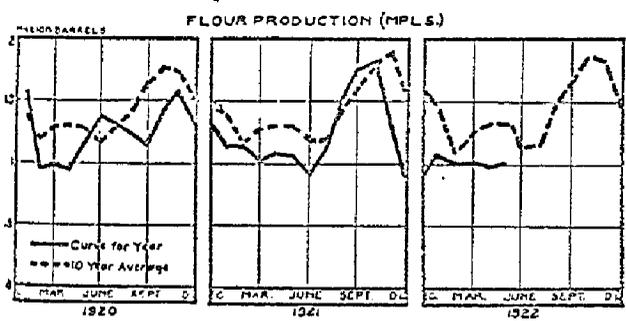
NINTH FEDERAL RESERVE DISTRICT

Wholesale Trade in farm implements and dry goods increased one-sixth in May over April and hardware and groceries about one-tenth, but sales of shoes at wholesale declined somewhat. Farm implement sales were one-half larger in May than a year ago and sales of hardware, shoes and groceries were also larger than last year, but sales of dry goods were one-eighth smaller. As prices are lower now than a year ago in many lines, the physical volume of goods sold in May compares even more favorably with last year than the dollar figures indicate.

Lumber Cut by Manufacturers increased one-third between April and May and was almost one-half larger than a year ago. Stocks declined slightly during May and were 20 per cent lower than last year. Manufacturers shipped one-fourth more in May than in April and almost two and one-half times as much as in May last year.

Copper Production is rapidly approaching the 1920 volume. During May, ore, estimated to contain almost 29,000,000 pounds of refined copper, was extracted by reporting companies in Montana and Michigan, representing an increase of one-fourth over April and being over six times the production in May a year ago.

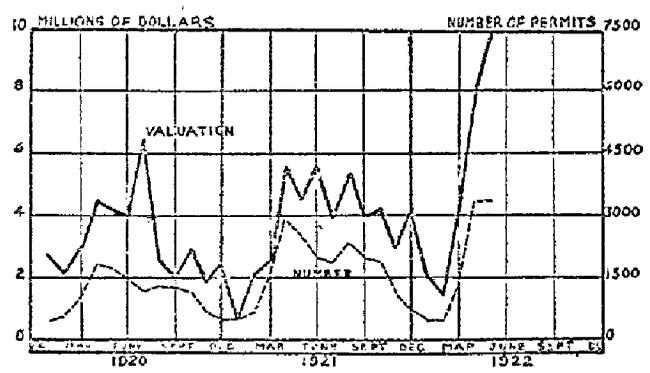
Flour Production, as reported by the Northwestern Miller, increased 6 per cent in May over April, with the Minneapolis and Duluth-Superior groups showing increases, although normally May production is about the same as April, and St. Paul and outside mills showing declines. Shipments of flour increased almost one-half between May and April, owing mainly to a quadrupling of shipments from Duluth. Production in May was slightly larger than a year ago, but shipments showed a small decline.



Monthly Flour Production at Minneapolis Compared with the Ten-Year Average

Shipments of Linseed Products from Minneapolis mills increased one-fifth between April and May but were one-third lower than last year.

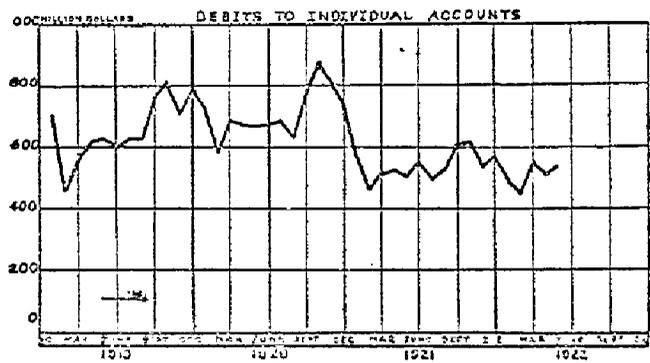
Building Operations Projected in May were at a level even higher than during April, although normally there is a decline. The number of permits issued in fifteen cities was 4 per cent larger than the number issued in April and the valuation of the permits increased 21 per cent. The valuation of permits was double and the number up one-third over a year ago.



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

Minneapolis permits were down in number and valuation from April so that other reporting cities increased considerably. At Minneapolis advertisements of dwellings to rent increased slightly in May over April and were 60 per cent more numerous than a year ago. Conversely the number of advertisements inserted asking for dwellings to rent was down one-half from April and down one-fourth from a year ago. The change in the advertisement situation from April was seasonal, but the change from last year is noteworthy, representing as it does greater ease in the housing situation.

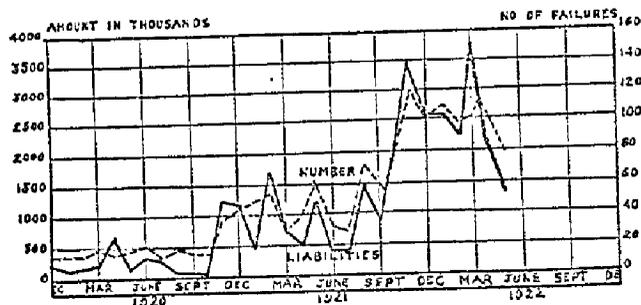
The Volume of Business in twelve important cities as exhibited by payments through banks showed a rise of more than 6 per cent in May over April. Not before, since 1919, has there been an increase between these two months. Payments were 7 per cent higher in May this year than in May a year ago.



Debits to Individual Accounts at Twelve Important Cities of the Ninth Federal Reserve District

The Employment situation is now very favorable as far as the laborers are concerned. Every man who wishes work can find work that is suitable. On the other hand, there is a shortage of skilled laborers in the building trades in many centers and a temporary shortage of experienced farm help. The copper mining regions also report a scarcity of skilled miners, which is delaying the reopening of several mines which have been shut down during the past year.

Business Failures, as was to be expected during this season of improving prospects, showed much smaller totals than last month, but were still higher than a year ago. During May there were 79 business failures reported by Dun's Review, the liabilities amounting to \$1,342,341.



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

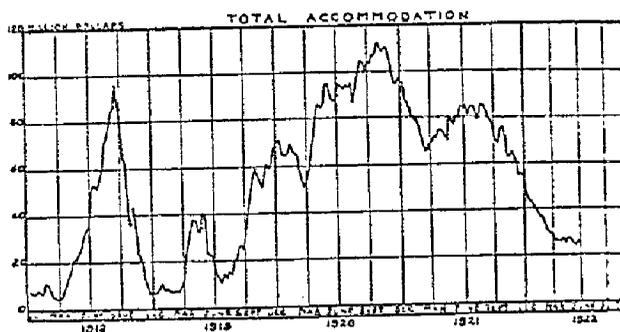
Lake Traffic to and from northwestern points was very much larger in May than in April, since May was the first complete month of navigation this year. Eastbound traffic, carrying out the products of this district, was considerably smaller in volume than a year ago in May, owing to iron ore shipments being only one-half as large, although grain shipments doubled, copper shipments almost doubled and there were increased shipments of lumber and flour. Westbound traffic in May this year, consisting principally of coal, was only a small fraction of a year ago. Bituminous coal receipts at Duluth were only 6 per cent of a year ago and no hard coal was received during May, as compared with 173,000 tons in May last year. That a serious shortage of hard coal may be experienced if the present strike conditions are maintained is evidenced by the fact that only 4,562 tons of hard coal have been received this season at Duluth and Superior, whereas a year ago in April and May there were received 256,248 tons.

Financial Conditions in the Northwest improved in May. Reports from selected member banks indicate that in the smaller cities of the district deposits have been rising much faster than loans. In the Twin Cities loans rose almost \$1,500,000 and deposits declined almost \$2,000,000. In spite of the drawing down of customers' deposits, Twin City banks paid off \$300,000 of borrowings from the

Federal Reserve Bank by decreasing their holdings of United States securities \$2,500,000.

Interest rates at Minneapolis declined between May 15 and June 15 in some respect for practically all kinds of loans. The customary rates for the more important kinds of paper fell one-half per cent, except for inter-bank loans and demand paper secured by stock exchange collateral.

This Federal Reserve Bank during May experienced a decline in loans to member banks of more than \$1,000,000 and a decline in Federal Reserve notes outstanding of more than \$2,000,000. The reserve fell \$4,000,000, due partly to an increase in holdings of United States securities of nearly \$1,000,000, and to some decline in member banks' deposits. During the first half of June the same tendencies continued, for loans to member banks declined an additional \$1,500,000, notes in circulation declined about \$500,000, and holdings of United States securities increased \$1,000,000. Reserves, however, which declined during May, rose \$2,000,000 by June 14.



Federal Reserve Accommodation to the Ninth District

Savings deposits, although 6 per cent above a year ago, declined 1.5 per cent during May in Minneapolis, St. Paul and Duluth. Probably this is due to the June buying or building of houses. The total of investments sold in May likewise registered a decline, amounting to 6 per cent in Minneapolis and St. Paul, although purchases of such kinds of investments as city mortgages, stocks and municipal bonds increased.

Brokers' paper held by northwestern banks and bankers declined 16 per cent in May, which is approximately the normal decline that has taken place in the same month in recent years.

The balance sheet of the 12 Federal Reserve Banks combined showed a decline of \$27,000,000 in accommodation to member banks during May, a decline in Federal Reserve notes in circulation of \$32,000,000 and an increase in reserves of almost \$12,000,000. It is interesting to note the change

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NINTH FEDERAL RESERVE DISTRICT

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in the balance sheet in the last year. Accommodation to member banks has declined from \$2,003,000,000 to \$590,000,000, and Federal Reserve notes in circulation from \$2,751,000,000 to \$2,141,000,000; while cash reserves have increased from \$2,569,000,000 to \$3,130,000,000.

Federal Seed Loans have been made in this district and two adjoining states by the United States Department of Agriculture, totaling approximately 1½ million dollars. The number of loans and total amount loaned through June 10 in each county in this district are shown in the following table:

MONTANA

County	No. of Loans	Amount
Big Horn	19	\$1,460.50
Blaine	214	20,713.00
Broadwater	14	1,624.50
Carter	26	2,212.50
Cascade	93	10,472.00
Chouteau	726	83,025.50
Custer	83	6,206.85
Daniels	135	17,067.00
Dawson	91	11,373.00
Fallon	148	14,723.75
Fergus	205	19,177.64
Flathead	9	1,055.00
Gallatin	2	240.00
Garfield	20	1,611.40
Glacier	92	11,700.00
Golden Valley	171	18,467.95
Hill	1,094	127,827.00
Jefferson	9	797.50
Judith Basin	48	6,057.50
Lewis and Clark	14	1,745.00
Liberty	444	53,351.00
McCone	30	3,639.50
Meagher	5	343.00
Missoula	1	75.00
Musselshell	207	21,089.05
Park	1	200.00
Phillips	212	19,896.00
Pondera	269	38,587.00
Powder River	8	419.20
Prairie	71	9,231.00
Richland	472	66,848.45
Roosevelt	74	7,847.60
Rosbud	111	10,209.50
Sanders	6	217.00
Sheridan	114	15,194.00
Stillwater	100	9,781.85
Sweet Grass	6	390.00
Teton	220	23,866.00

Toole	446	57,077.75
Treasure	30	2,352.50
Valley	224	23,142.00
Wheatland	20	3,020.00
Wibaux	127	20,317.80
Yellowstone	136	11,000.50
Totals	6,547	\$755,653.29

NORTH DAKOTA

Adams	215	\$31,558.50
Benson	23	2,945.00
Billings	245	28,490.00
Bottineau	322	46,519.50
Bowman	42	4,254.00
Burke	37	4,673.00
Burleigh	255	30,969.50
Divide	116	14,915.00
Dunn	220	30,146.00
Emmons	14	1,950.00
Golden Valley	194	29,763.50
Grant	382	46,462.00
Hettinger	562	82,819.00
Kidder	151	18,391.80
McHenry	139	15,816.50
McKenzie	212	25,877.00
McLean	32	4,782.50
Mercer	26	3,505.00
Morton	195	25,747.00
Mountrail	64	6,924.00
Oliver	76	9,484.00
Pierce	47	6,045.00
Renville	149	20,443.50
Rolette	51	7,110.50
Sheridan	30	2,912.50
Sioux	80	9,492.75
Slope	414	57,954.50
Stark	265	40,890.00
Stutsman	102	12,743.50
Wells	6	675.00
Ward	184	22,923.50
Williams	118	13,185.00
Totals	4,968	\$660,368.55

SOUTH DAKOTA

Butte	5	\$292.50
Corson	43	4,360.25
Dewey	46	3,686.90
Harding	30	3,020.00
Haakon	8	515.00
Meade	5	324.50
Perkins	172	16,828.50
Stanley	1	100.00
Ziebach	120	8,394.20
Totals	430	\$37,521.85

FEDERAL RESERVE DISTRICTS

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