CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

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TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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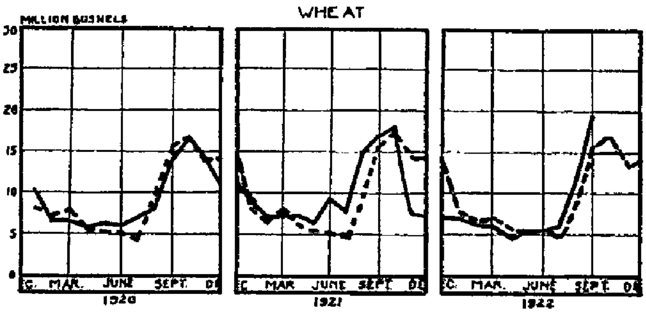
SUMMARY FOR THE MONTH.

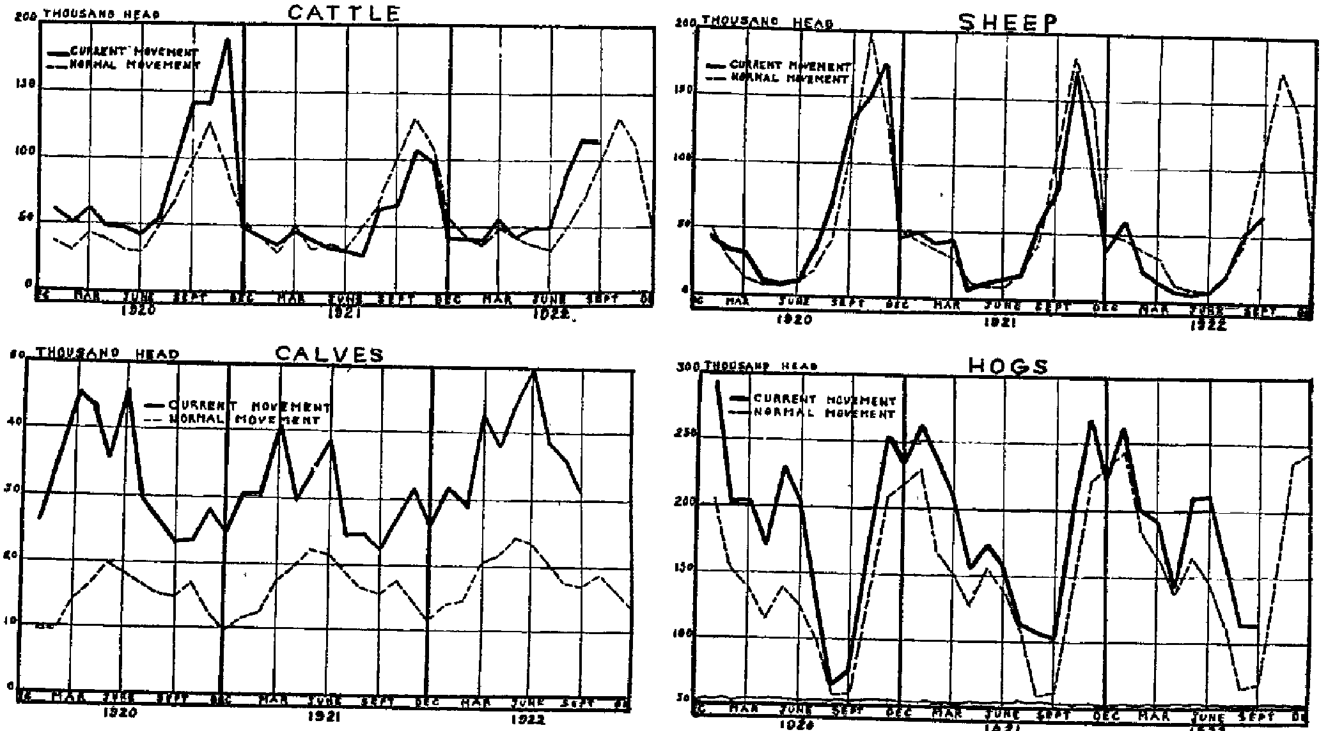
The movement of farm products to market is the subject of paramount interest this month. The large grain crop harvested has brought shipments above normal. Fortunately, the markets have been able to absorb this increased volume of offerings without price declines. The demand for cars has been hard to meet with the existing equipment. Railroads have shown very reasonable consideration, however, to those localities requiring cars to move perishable products. There should be a decreasing pressure to market in each succeeding month. The transportation burden is certainly the greatest now while endeavoring to move an extraordinarily large production of potatoes before freezing temperatures prevail, as well as to move the usual run of range cattle before bad weather and snows set in.

Grain receipts at the head of the Lakes and at Minneapolis were two-thirds larger in September than in August, and one-fifth larger than last year in September. The receipts of wheat and flax were much above normal (i. e. 10 year average), while barley and oats were below this normal. Corn receipts for which no ten year figures are available showed the same tendency to rise which was displayed in the last two years. Normally, the receipts of wheat increase between August and September from 11 million to 28 million bushels. This year the increase was from 14 million to 35 million bushels. Rye receipts during September are normally about 3 million bushels, but amounted to 11 million bushels in September. Normally, September is the peak month in rye receipts, but this month, although receipts were abnormally large, there was a decline of 1 million bushels from the August figure owing to the still more abnormal conditions prevailing in August. Flax receipts were double the normal amount in September after being well below the normal for a year until August when they reached a normal volume. Receipts of oats, which normally rise to their peak during September were slightly smaller than during August and were about as far below the normal in September as they were above in August. Receipts of barley, which have been well below normal for more than two years, continued to be below the normal amount and increased less than 1 million bushels between August and September, while normally they increase 4 million bushels in the same period. As compared with a year ago, receipts of rye in our markets were two and one-half times as large this year, of wheat were one-tenth larger, and of flax one-half larger. The other grains were below the last year's figure.



Monthly Receipts of Wheat at Minneapolis Compared with the Ten-Year Average.

Stocks of grain at Minneapolis and the Head of the Lakes were almost one-half larger at the end of September than at the end of August, but one-sixth smaller than a year ago. Wheat, rye, and corn are stocking up more than is usual at this time of the year. There were increases in stocks of other grains, but these increases did not bring the stocks to the level of September in the past two years. Oats, in particular, did not rise as usual. In 1920 and 1921, there were increases in August and September of 4 and 5 million bushels of oats, respectively; but as the stocks in 1920 and 1921 have not been worked off in the customary manner, the receipts, purchases, and price of oats have all dragged and in consequence stocks this year rose only two hundred thousand bushels between the two months. Oat stocks at the end of September amounted to almost 17 million bushels or more than one-half of the total stocks



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

in our terminal elevators. A year ago at the end of September they were 23 million bushels, a figure which would have been exceeded this year if receipts had been normal in September. Stocks of wheat at the end of September were 8,700,000 bushels, a figure four and one-half times as large as the August figure and one-fifth larger than a year ago. Rye stocks were 2,900,000 bushels at the end of September, which was two-thirds larger than the figure a month ago and more than twice as large as a year ago. Stocks of flax were twenty-three times as large at the end of September as at the end of August, but only one-fifth as large as last year, indicating that they are very much below normal. Stocks of corn almost trebled last month's figure and were one-fifth larger than last year, and stocks of barley were up two-thirds over last month but were only one-half of last year.

Receipts of livestock at South St. Paul showed a slight decline from the August figure in calves, an unchanged movement of cattle and hogs, and an increase of one-fourth in receipts of sheep. This movement of livestock was abnormally large for hogs, calves, and cattle. Receipts of cattle, which normally increase almost one-half between August and September, were unchanged; but as the movement has been abnormally large during the whole year, it is not surprising that the increase did not occur. Receipts of sheep ought normally to increase more than to double between August and September instead of increasing only one-fourth. As compared with a year ago, the September receipts this year were up one-fifth with receipts of cattle three-fourths larger, calves two-fifths larger, hogs one-tenth larger, but sheep down one-fourth.

Shipments of feeders from South St. Paul were up one-half during September over a year ago on account of an increase of 85 per cent in shipments of feeder cattle and a twelve-fold increase in shipments of feeder calves. Feeder hogs and sheep showed smaller shipments during September than a year ago. As compared with last month, there was a decline of 15 per cent in shipments of feeder cattle, but an increase of one-fifth in sheep, one-fourth in hogs, and two-thirds in calves.

Prices at central markets in the Northwest for the principal products of the farm evidenced remarkable stability, with some gains during the month of September. There were very slight changes in the median prices of grains at Minneapolis, the most pronounced changes being a decline of 4 cents in the price of rye and an increase of 4 cents in the price of barley. At South St. Paul, the median prices of important grades of killing cattle remained practically unchanged but stocker and feeder steers declined a trifle. Calves, lambs, and hogs, on the other hand, showed pronounced gains.

The Northwestern coal situation has improved on account of receipts at the Head of the Lakes of 17 times as much soft coal during September as during August and a further limited amount of hard coal. Soft coal receipts during September were more than twice as large as a year ago, which shows that a concerted effort is being made to meet the need.

There is a possibility that two million tons of all kinds of coal will come up the Lakes during October and November if favorable weather prevails. This will make a total of 4 million tons of water-hauled coal received this year as compared with a normal movement of about 9 million tons. It should be possible to supply the deficit by rail-hauling and the use of substitutes. The full effects of the shortage are not yet realized, and will only be seen when it handicaps those manufacturing firms of the Northwest using rail-hauled coal, who compete this winter with firms which are supplied with water-hauled coal, or coal which is not carried so far to the consumer.

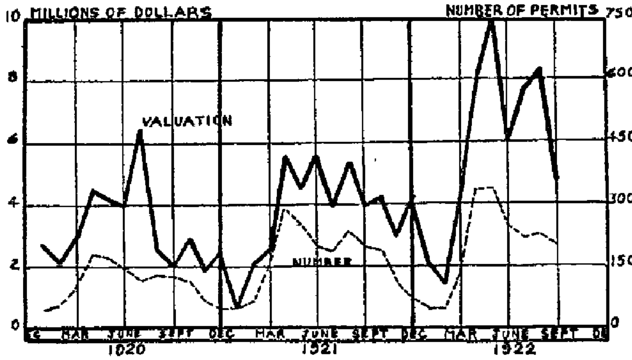
The volume of retail trade in this district reflected seasonal influences during September. The sales of general merchandise increased one-tenth and lumber sales declined slightly. Retail stores bought less dry goods, groceries, and hardware from wholesalers during September than during August, but more shoes. Sales of farm implements were only one-half as large in September as in August. As compared with a year ago, retail sales of general merchandise this year were slightly larger and lumber sales were up one-fourth. Purchases by retailers of dry goods, shoes, and groceries were smaller this year than last, but hardware sales were up 14 per cent and agricultural implements were up nearly one-half.

Retail stocks of merchandise and materials did not show much change from last month. General merchandise stocks were slightly larger and lumber stocks showed no variation, indicating that lumber retailers are expecting a continuation of building during the fall. As compared with a year ago, stocks of general merchandise in dollars at the end of September were down 2 per cent and stocks of lumber in board feet were down 9 per cent.

Manufacturing activity decreased in lumber for the month but increased in flour and linseed products; and both of the latter were greater than a year ago. Flour production increased 11 per cent during September over August for all parts of the district. Production in Minneapolis alone was about the same during September as the ten year average for that month. Shipments of flour from Minneapolis and the Head of the Lakes increased one-third between August and September and were nearly 10 per cent larger than in September a year ago. Shipments of linseed products were two and one-half times as large during September as during August, owing to a doubling of linseed oil shipments and very nearly a trebling of oil cake shipments. Shipments were two-thirds larger in September than a year ago. Lumber manufacturers transferred their major operations from the mill to the woods during September. There was an increase of one-sixth in the number of men employed in the woods by eight lumber manufacturers; while the number of mill workers remained the same during September as during August. Both mill hands and woodsmen were one-fifth more numerous during September than a year ago. The lumber cut during September declined one-fifth from the August figure, but was one-fourth larger than last year. In spite of the decline in lumber cut between August and September, stocks increased slightly owing to a decline in shipments. As compared with last year, shipments were up two-fifths and stocks down one-fourth. Orders placed during the month of September were one-half larger than during August and almost one-half larger than a year ago.

Mining operations in this district, with the exception of coal, declined between August and September. Iron ore shipments from upper lake ports were down one-fourth while copper and silver production was down slightly. On the other hand, production of coal in Montana was three times as large owing to the settlement of the strike. As compared with last year, however, coal production during September was down one-fourth while iron ore shipments were up three-fourths and copper and silver production figures respectively were four and seven times as large.

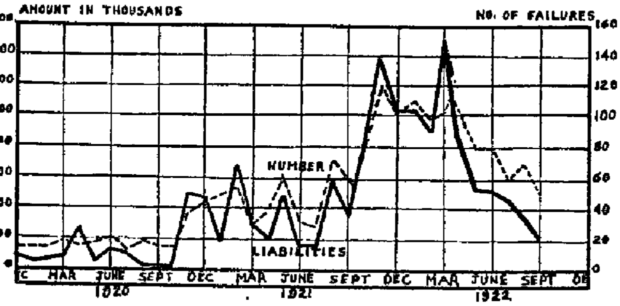
Building activity in sixteen important cities in this district, while continuing to be in large volume as evidenced by the shortage of skilled building mechanics, is, nevertheless, showing signs of fall decline. The number of permits granted during September was one-sixth lower than the number granted in August and the valuation of September permits was two-fifths lower than the valuation of August permits. Combining the two statements, it appears that there is a greater decline in permits granted for large undertakings than in permits for small buildings. As compared with a year ago, however, the building projects this year show a larger unit cost, for the total valuation of permits granted this year in September was one-fifth larger than in September last year, while the number of permits granted was slightly lower.



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

Employment conditions continued satisfactory and normal during September. There has been increased employment in practically all lines following the settlement of the coal and rail strikes, according to a report from the United States Department of Labor. There is a good demand for corn huskers, potato pickers, and men for general fall work on the farms. Many cities report a shortage of building mechanics. Road building and lumbering are absorbing the supplies of unskilled labor. The copper mines in Montana are still hampered by insufficient numbers of skilled men.

The volume of business in this district measured by bank debits to individual accounts increased 14 per cent between August and September, which was a smaller increase than occurred in any of the three preceding years. However, the volume of business was slightly larger in September this year than in September a year ago. The movement out of the district of northwestern products, evidenced by Soo Canal traffic eastbound, was one-sixth less in September than in August. Canadian wheat shipments were very largely responsible for a three-fold increase in wheat passing through the canal, since the Canadian shippers are making the most use possible of water transportation before the freeze-up on the lakes. Iron ore and lumber shipments down the lakes declined in September from August, but flour, grains other than wheat, and copper showed increases. As compared with last year, shipments of all commodities were larger this year. The increase in the volume of business has improved turn-over and has doubtless helped profits as is indicated by the fact that September business failures both in number and liabilities are below the August figures and below the September figures for a year ago. During September there were only fifty failures in this district, according to Dun's Review, with liabilities amounting to $575,947. Failures during September in this district continued to show an increasing proportion of small firms.



Business Failures in the Ninth Federal Reserve District.

The credit situation has not changed materially in this district during the past month and a half. The balance sheets of selected member banks in important cities in this district show an improvement in deposits amounting to 9 million dollars during September and an additional 1 million dollars during the first two weeks of October. In September 3 millions of this increase in funds was loaned to customers, more than 2 millions was invested in securities, and 2½ millions was used to increase reserve with this Federal Reserve Bank. In the first two weeks of October investments declined two and one-half millions and loans increased by about the same amount, while reserve with the Federal Reserve Bank declined 1 million.

The Minneapolis Federal Reserve Bank bought 8½ millions of United States Government Securities during September which was made possible by an increase in deposits of 2 millions, an increase in Federal Reserve Notes outstanding of 3½ millions, a decline in bills discounted of 1 million, and a decline in cash reserves of more than 1 million. During the first two weeks in October, this bank's investments in bonds declined 6½ millions and bill holdings declined more than 2 millions, which partly accounts for the rise in reserves of 10 million dollars. Note issues increased 3¼ millions in the two weeks and deposits declined almost 1 million.

Somewhat similar changes of a minor nature occurred in the balance sheets of about 800 member banks scattered throughout the United States, which represents a large fraction of the banking resources of the country and whose reports furnish the only timely information in regard to general banking conditions. During the month of September these banks expanded their accommodation to customers 226 millions, partly by selling 65 millions in securities and partly through an increase in deposits of 87 millions and in borrowings from Federal Reserve Banks of 31 millions. The twelve Federal Reserve Banks combined similarly showed an increase in bill holdings taken from all member banks of 82 millions and a decrease in deposits of 41 millions, which necessitated the disposal of 47 millions of bonds and caused an increase in notes outstanding of 81 millions.

Interest rates on October 15 had returned to the August level after a pronounced decline shown in September. This drop in September was evidently due to business sentiment for there has been no important change in the credit strain during the past two months. All rates rose from one-quarter to one and one-half per cent in customary quotations between September 15 and October 15, except the rate on cattle loans which declined one-half per cent.

THE OUTLOOK FOR THE AMERICAN SHEEP GROWER.

(Continued from page 8)

as possible their holdings of sheep. Recently certain cross-breeds have been developed which produce both excellent wool and mutton, which eliminates the old objection to sheep raising, namely, that if wool sheep were raised the mutton was coarse and if mutton sheep were raised, the wool was of an inferior quality. Moreover, these cross-breeds are adapted to the small farm flock as well as to range production on a large scale which is a good feature as the ranges have been broken up, and, without an enormous upheaval in agriculture, will never be seen again in this country. Upon the rapidity with which flocks are built up by some farmers increasing their holdings, and others beginning the raising of sheep, depends the success of the sheep industry in this country.

Sheep Growing in the Ninth Federal Reserve District.

The Northwest as represented by the Ninth Federal Reserve District has suffered the same setback in the sheep industry which took place in the United States as a whole. In 1920 there were 3,780,000 sheep in this district and in 1922 there were 3,418,000, or a decline of 10 per cent in the two years. The story is much more striking of the decline in the ten years, 1910-1920. In these ten years there was a decline of 39 per cent from the 6,192,000 head held in 1910. The decline between 1910 and 1920 took place entirely in Montana where the great sheep ranges were being broken up and the impetus to raise sheep on the newly organized farms was lacking. In Minnesota and the Dakotas, as one of the by-products of diversified farming, the number of sheep increased in the ten years through the gradual growth of farm flocks. The maps presented on page 6 and 7 of this issue show this very plainly. While there are large range holdings of sheep in southwestern Montana and northwestern South Dakota, the number of sheep held in the sections of the country where diversified farming is practiced is greater than the number of sheep held in the sections where grain farming alone is practiced. To show the diversified farming districts for comparison with the strongholds of the sheep industry, maps showing the 1922 distribution of cattle and swine are reproduced opposite to the sheep maps.

It remains to be said that owing to the unsatisfactory price situation, the recent severe winters which have left sheep in a poor state of health (causing large losses in the lamb crop) and the extensive drouth areas in 1920 and 1921 which curtailed the supply of forage for winter feeding, the holdings of sheep in all four states of this district declined between 1920 and 1922.

The Sheep's Place on the Farm.

Generally speaking, a flock of sheep is one of the farmer's greatest assets. The sheep is the most economical of the grazing animals. It can eat the poorest vegetation and thrive on it, and it is able to crop the grass closer to the ground than other animals so that it can find forage where cattle and horses could find nothing. Moreover, its tastes for food are not highly cultivated. It will eat weeds and wild grasses which other animals will not touch. In other words, the farmer can feed the sheep the poorest crops which he grows and the fence corner patches of weeds, while other animals must have the better crops which are expensive to feed. A second advantage of sheep raising is that there is no special building required for winter housing. A rough shed is satisfactory, for the only shelter required by the sheep during the winter is a wind-break to protect it from sleet storms. In fact, if a warm barn is provided, the sheep, which are very warm-blooded, will drop their wool during the winter. A third advantage is that a flock of sheep can be counted on under ideal conditions to double every year. As 50 per cent of the better ewes bear twin lambs, this fact more than offsets losses due to exposure, disease, and barren ewes. In other words, the farmer may make one hundred per cent on his investment every year, although most farmers realize but 75 or 80 per cent on the average. In addition there is the wool to clip which should pay the expense of handling the flock in normal times.

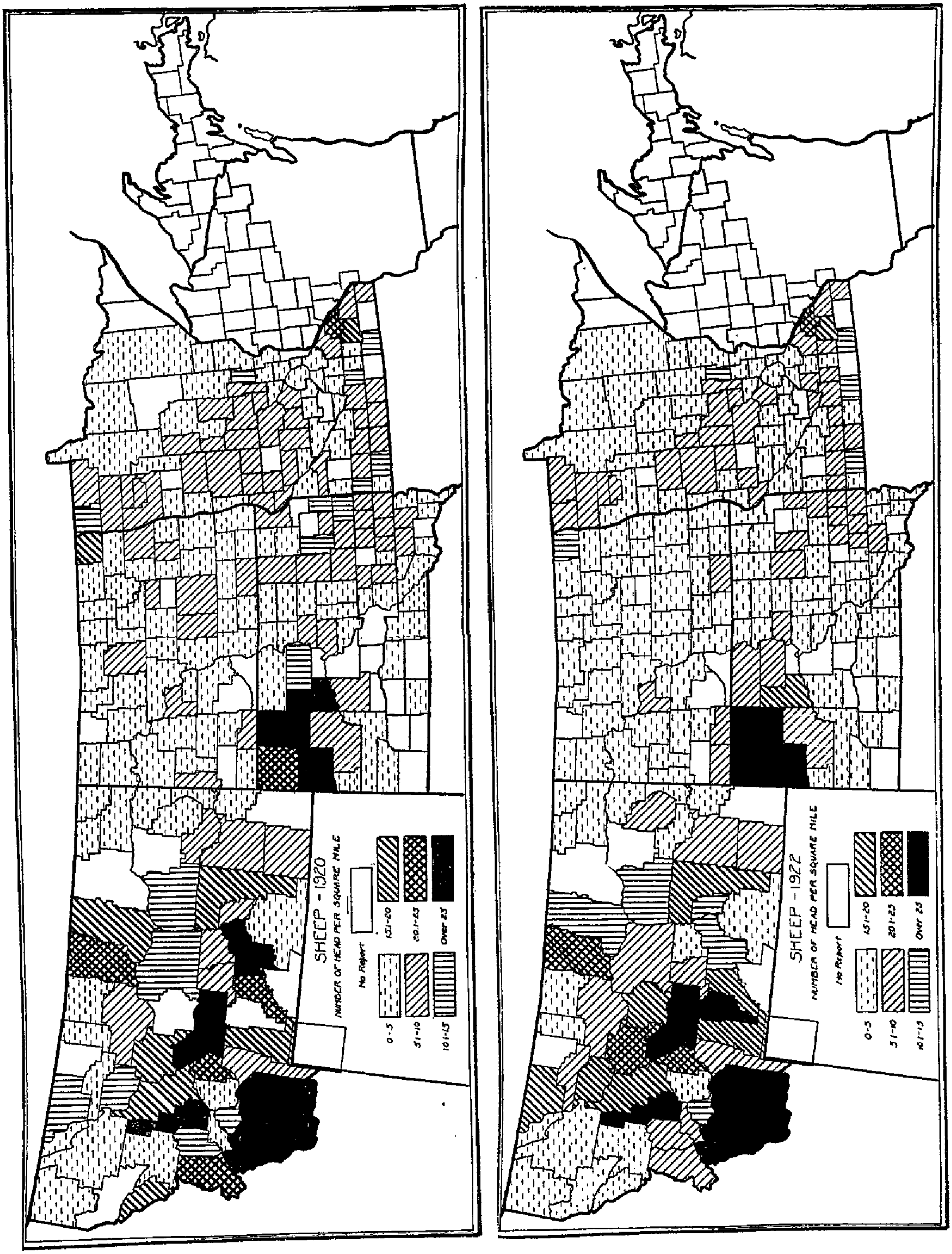
However, sheep raising is not to be advocated for every farmer in every section of the country. Where the farmer is close to his market and has soil fertility and proper climate to raise corn and other feed crops to good advantage, he might better stock his farm with cattle, hogs, and poultry; but where his soil is nearly barren and where the feed crops do not grow abundantly, a flock of sheep is generally a great asset. This statement, of course, should be modified to fit local conditions.

The water supply is very important. Over much of the territory where dry land farming is practiced, the scattering wells which are drilled will provide water for only the smallest practicable number of livestock. These will naturally be horses and cattle.

Also sheep require a larger area of pasturage than the other animals which do not crop the grass so closely because it takes longer to renew the vegetation after sheep have grazed in a pasture. Furthermore, over a considerable portion of the Northwest, grasses abound which produce needles at maturity. These needles catch in the sheep's wool, work into its skin and cause sores which lessen the value of the mutton and impair the value of the fleece.

Notwithstanding the limitations upon the successful raising of sheep which have been noted above, it should be emphasized that in many localities a flock of sheep, either small or large, can be of great value. There are many farmers who have a wood lot or a hill pasture which it is impossible to mow, who could very profitably pasture a small flock of sheep on such lands. On a more extensive scale, sheep raising should be seriously considered in the cut-over lands which constitute large areas in northern Minnesota, Wisconsin, Michigan and in Montana. It will pay every land owner or renter to consider the matter of sheep raising at the present time and determine whether or not he has grazing facilities for a few head of sheep.

SHEEP PER SQUARE MILE, 1920 and 1922. Black Portions of Maps Indicate Densities as High as 45.2.



THE OUTLOOK FOR THE AMERICAN SHEEP GROWER

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The Tariff and the Sheep Grower.

The sheep grower in the United States is today in the strongest strategic position which he has ever attained. The United States consumes considerably more wool each year than is produced in this country and the balance has been made up heretofore by importation. On September 21 the Fordney-McCumber Law went into effect, placing a tariff on wool and sheep products which gives the United States sheep grower a great advantage. The sheep growers best move, now, appears to be to increase production as rapidly as possible in order that the price of wool may not go to exorbitant heights.

The Recent Decline in Sheep Raising and Increase of Wool Consumption in the United States.

Between 1910 and 1922 the number of sheep in the United States declined from more than 52 million head to 36 million head or a decline of about one-third. This decline was from two causes. In the first place, the spread of agriculture has been westward into the range country and the pressure of the farming population and the consequent rise in the price of land has caused the breaking up of the ranges into small farms on which it was impossible to raise the enormous range flocks of sheep. The second cause of the decline in sheep holdings was the severe competition from the sheep growers in the newly developed parts of the world such as Austalia and, more recently and more extensively, Argentina. Land was practically free to the sheep grower in these new territories, forage was plentiful, and the cheap sheep which could be raised there were sold in our markets below the cost of production in this country between 1913 and 1921 when there was no tariff on wool and other sheep products.

There has been a corresponding decline in the production of wool. The annual clip of wool in the grease amounted to 321 million pounds in 1910 but was only 273 million pounds in 1921. At the same time, the consumption of wool in the United States increased from 451 million pounds in the year ending June, 1911, to 580 million pounds in the year ending June, 1921. This increase in consumption had to be met by a pronounced increase in imports of wool. In the year ending June, 1911, wool imports amounted to more than 129 million pounds and in the year ending June, 1921, wool imports amounted to nearly 313 million pounds, or more than one-half of the consumption in 1920-21 as compared with little more than one-fourth in the year 1910-11.

The Tariff Rate on Wool and Their Effects on Importations in Recent Years.

After eight years of free importation of wool, there was put into effect on May 27, 1921, an emergency tariff of 15 cents per pound on unwashed wool, 30 cents per pound on washed wool, and 45 cents per pound on scoured wool. This tariff was in effect from that date until September 21, 1922, when the Fordney-McCumber Act went into effect, lowering the tariff to ~~12 cents per pound on unwashed wool, 18 cents per pound on washed wool, and~~ 24 cents per pound on scoured wool. The effect of the new tariff cannot yet be determined by statistical methods. It is possible, however, to see some of the effects on imports of the emergency tariff of 1921. For the first six months of 1921 before the emergency tariff went into effect, wool imports amounted to more than 245 million pounds. During the first six months of 1922, while the emergency tariff was in operation, wool imports amounted to not quite 180 million pounds. While it is probable that not all of this decline in imports was due to tariff restrictions owing to the large stocks of wool held in 1919 which were gradually being worked off during 1920 and 1921, it is probable that the tariff was the most important cause of the decline. This seems to be proved by the fact that wool stocks declined by June 30, 1922, to a point below the normal amount which dealers and manufacturers think it advisable to hold. To assure proper grading and a steady supply for the woolen mills, it is customary to hold in commercial hands about one year's supply of the raw material. As consumption in the United States amounts to nearly 600 million pounds of raw wool each year, the stock on June 30, 1922, of 479 million pounds was considered too small. In consequence there was a rise in the price of wool to the producer from 16 cents per pound to 36-40 cents per pound instead of increased importations.

Effect of Tariff on Mutton and Lamb Imports.

From 1913 to 1921 live sheep, lamb, and mutton were on the free list. The emergency tariff of May 27, 1921, imposed a duty on mutton and lamb of 2 cents per pound and a duty on sheep, except for breeding purposes, of two dollars per head if one year old or over, and of one dollar per head if less than one year old. The Fordney-McCumber tariff raised the duty on mutton to 2½ cents per pound and on fresh lamb to 4 cents per pound. Live sheep carry a duty of two dollars per head. This tariff legislation imposes a barrier on imports of sheep and mutton and lamb similar to that imposed on wool imports. Before 1913, when sheep and sheep products went on the free list, there were very small importations of mutton and lamb. In the year ending in June, 1914, almost 13 million pounds of these meats were imported. In a similar period ending in June, 1920, more than 16 million pounds were imported, and in the year ending June 30, 1921, imports were more than 108 million pounds. This level of imports cannot be expected to continue under the tariff without prices advancing so greatly as to divert a considerable proportion of domestic demand to other meats.

What the Farmer Can Do.

It appears advisable for farmers generally, particularly on the poorer lands, to increase as rapidly

(Continued on page 4)