

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

JOHN H. RICH, FEDERAL RESERVE AGENT

TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

CURTIS L. MOSHER
Assistant Federal Reserve Agent

J. F. EBERSOLE
Assistant Federal Reserve Agent

95th Report

MINNEAPOLIS, MINN.

December 28, 1922

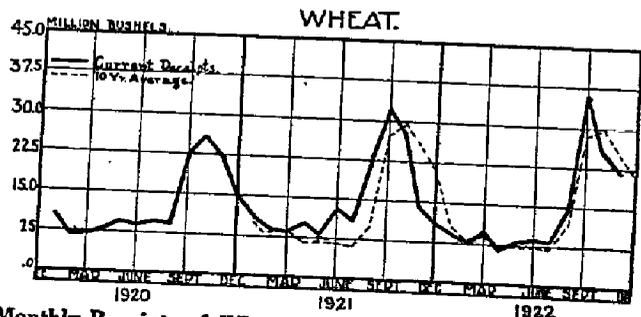
EDITORIAL NOTICE:—This report is prepared monthly in the office of the Federal Reserve Agent for the purpose of providing the Federal Reserve Board with complete, accurate, and impartial information concerning business conditions in the Northwest. It is also printed for public use and will be mailed free of charge to anyone making request for it.

SUMMARY FOR THE MONTH.

Grain receipts in November were nearer normal than in October, indicating a considerable improvement in the car shortage situation. Meanwhile, livestock receipts were well above normal, except for sheep. Prices of the grains rose substantially, while livestock prices declined except for lambs. There is evidently a tendency to build up flocks in the sheep industry. Manufacturing, mining, and building activity was not as great in the aggregate as in the preceding month, but without exception was much greater than a year ago. Sales of merchandise at retail declined for the month and as compared with a year ago; while lumber sales at retail were above the preceding month and far above a year ago. The foregoing conditions in business activity and trade are verified by the bank debits to individual accounts, which declined about 10 per cent, which is normal for the season. Also these debits are above the level of a year ago. Commercial banks expanded their loans in November, and purchased some bonds, but during the first two weeks in December their loans declined, and their bond holdings increased more than during the whole month of November. Throughout November and the first two weeks of December, loans were being repaid at the Federal Reserve Bank. Interest rates rose slightly during the four weeks ending December 15.

GENERAL SURVEY.

Receipts of grain at Minneapolis and the head of the lakes registered a decline between October and November, which was seasonal for all the grains except flax. However, the total receipts in November continued below the ten-year average. Flax receipts should reach a pronounced peak during November, but this year they declined one-third from the October figure which was also below normal. Receipts of rye, on the other hand, were more than double the normal amount, continuing the abnormally large movement which has been evident all fall.



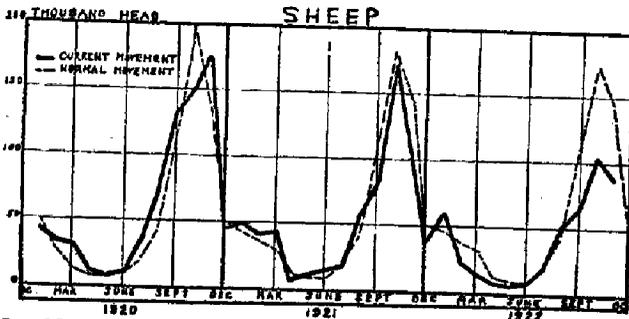
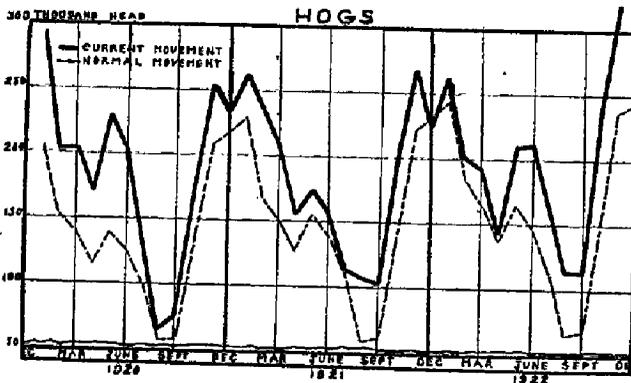
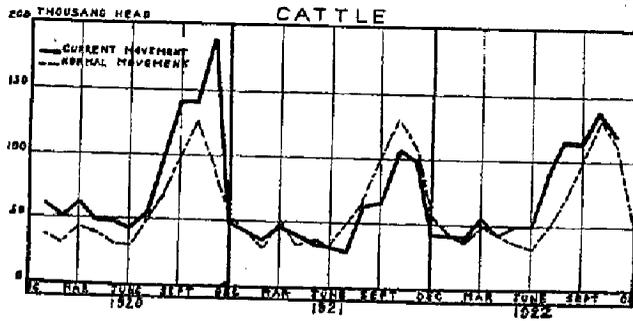
Monthly Receipts of Wheat at Minneapolis and the Head of the Lakes Compared with the Ten-year Average

Comparisons made with receipts last year show the effect of the October car shortage. Whereas the receipts of all grains combined were 8 per cent lower in October this year than last, the receipts in November were 57 per cent larger than last year.

The decline in receipts was relatively greater at Duluth-Superior than at Minneapolis for all grains except rye and flax between October and November, owing to the approach of the close of navigation for the winter. Shipments from Duluth-Superior were much larger in November than in October for all grains except wheat.

Grain stocks in elevators at Minneapolis and the head of the lakes declined one-eighth between the end of October and the end of November. Corn stocks were practically eliminated and stocks of barley declined one-third. As compared with last year, northwestern terminal grain stocks were lower in the case of every grain except rye. Stocks of rye were seven times as large at Duluth-Superior this year as a year ago and one-fourth larger at Minneapolis, or three times as large at both centers combined. The combined stocks of corn were less than one-fifth as large this year as last and flax stocks less than one-half as large, with the Minneapolis stocks showing by far the greatest loss. Oats stocks, which were exceptionally high during the winter of 1921-22, were down nearly one-half from the figure of a year ago and barley stocks were down one-third. Wheat stocks were practically as large this year as last.

Livestock receipts at South St. Paul continued to be abnormally large in the case of every class except sheep. Receipts of hogs were about one-third larger than the ten-year average; cattle receipts were only slightly larger, and receipts of calves more than double. Sheep receipts on the other hand were less than two-thirds of normal, but the whole movement of sheep this fall has been abnormally low. Cattle and sheep showed seasonal declines and hogs a seasonal increase between October and November, but receipts of calves increased slightly between the two months, although normally there is a seasonal decline. As compared with last year, receipts of calves during November were one-third larger and cattle and hogs a fifth larger, but receipts of sheep were down slightly.



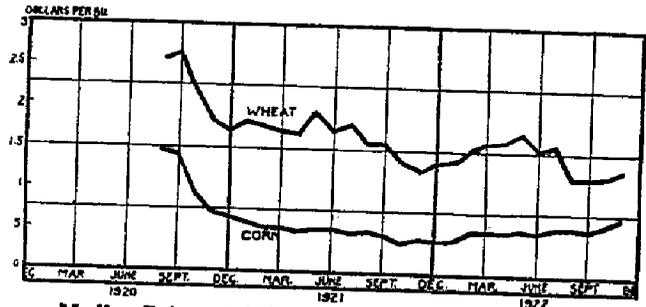
Monthly Receipts of Cattle, Hogs, and Sheep at South St. Paul Compared with Ten-year Average

Shipments of feeder stock to the country from South St. Paul declined between October and November with the exception of hogs which increased one-seventh. As compared with last year, shipments of feeder calves this year were nearly five times as large, shipments of feeder hogs were up two-thirds and shipments of feeder cattle were up

slightly. Feeder sheep shipments on the other hand were smaller by one-sixth.

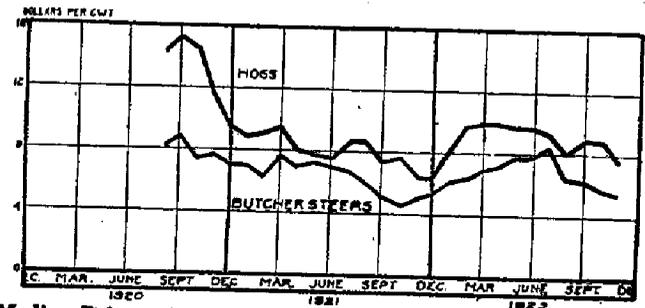
The prices at northwestern terminal markets of the chief products of the farm showed strong evidence during November of the effect of pressure of supplies or its lack. All of the grains showed increases in median prices and all of the livestock classes showed declines except lambs.

All of the grains have shown good recoveries in prices during the last two months from the slump which began in June of this year for all grains other than corn and from the slump in corn which culminated in the fall of 1921. The increase in the median price of corn at Minneapolis amounted to 8½ cents between October and November. Corn at this time is selling at the highest price since November, 1920. Oats increased 2½ cents and are selling at a higher figure than at any time since January, 1921, owing to the relief from abnormal stocks in terminal elevators. The increases for the other grains are flax 12 cents, rye 8½ cents, wheat 7⅝ cents and barley 1½ cents.



Median Prices of Wheat and Corn at Minneapolis

Livestock prices at South St. Paul, on the other hand, were affected by the abnormally large supply of every kind except sheep. Veal calves declined \$1.25 in median price between October and November; butcher steers declined 35 cents and butcher cows declined 25 cents, the last class selling within 25 cents of its lowest median which was reached in January of this year. Hogs declined 90 cents in median price and were selling at the lowest price of the year. Stock and feeder steers declined 75 cents, but lambs increased 50 cents per cwt. between the two months.



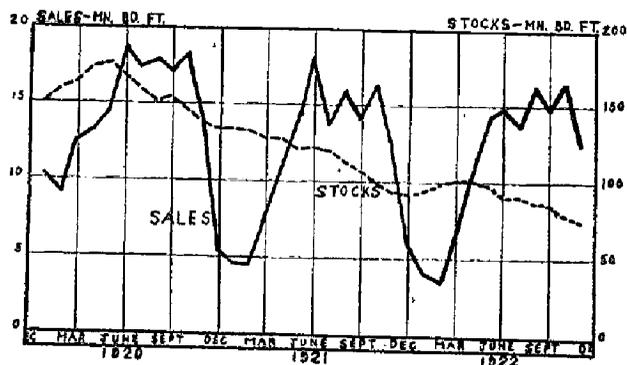
Median Prices of Hogs and Butcher Steers at South St. Paul

Prices of produce at wholesale in Minneapolis showed more increases than declines in staple commodities during November, increases occurring in

butter, eggs, cheese, hens and the majority of green vegetables; while decreases occurred in the price of potatoes and oranges. The price of the best grade of flour at Minneapolis has increased somewhat during the last fifteen days in sympathy with the increased prices of grains.

The coal situation in the Northwest, while far from satisfactory, has shown great improvement during the past month. During November more than four times as much soft coal was received at the head of the lakes as a year ago, and receipts of hard coal were up one-half; and during the first eleven days of December, just prior to the close of navigation on the Great Lakes, more than seven times as much soft coal and more than three times as much hard coal was received as a year ago during December. There was, as is customary, a decline in the totals between October and November and between November and December receipts. Summing up the season, there were received at the head of the lakes 5,138,934 tons of soft coal and 566,362 tons of hard coal. This volume is not quite two-thirds as large as the average receipts of soft coal during the last five years and about one-third of the average receipts of hard coal during this period.

The volume of retail trade during November was smaller than during October in this district. Sales of general merchandise declined one-tenth and lumber sales declined one-fourth, both movements being due to seasonal causes. At the same time retail stores were buying smaller quantities of goods from wholesalers. Lumber manufacturers in particular sold 30 per cent less lumber, while all other wholesale lines and agricultural implements showed declines, the smallest occurring in sales of groceries, where the decline was so small that it might be entirely accounted for by the shorter month. Merchandise stocks held by retailers were slightly larger for department stores, but smaller for lumber firms at the end of November than at the end of October. As compared with last year during November, this year's sales of general merchandise were down slightly, but lumber sales were considerably larger. Purchases by retailers, on the other hand, were larger in general merchandise and in agricultural implements, but smaller in lumber. Stocks of general merchandise held by retailers were slightly larger this year than last and lumber stocks were one-tenth lower.

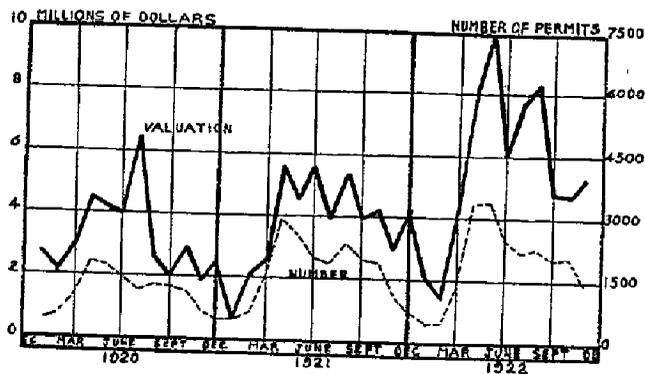


Retail Lumber Activity (Reports from 437 line yards)

Manufacturing activity declined one-fifth in lumber between October and November, but increased very slightly in flour, although the Minneapolis mills exhibited a small normal decline. The lumber manufacturers in this district had twice as many men in the woods during November as during October and somewhat smaller crews in the mills than a month ago, as is customary at this time of the year. Deliveries made by manufacturers in this district declined slightly between the two months for lumber, flour and linseed products. Lumber stocks held by manufacturers were slightly smaller at the end of November than at the end of October. As compared with a year ago, lumber manufacturing was twice as active and flour manufacturing showed an increase of one-third in the volume of production. Flour mills were operating at 75 per cent of capacity this year as compared with 53 per cent of capacity a year ago. Deliveries of lumber, flour and linseed oil cake were about as large in November this year as last, but linseed oil deliveries were up one-half. Lumber stocks held by manufacturers were down 30 per cent this year as compared with last.

Mining activity in this district showed mixed tendencies during November. Shipments of iron ore from upper lake ports declined almost one-half and silver and gold production was somewhat less in November than in October. On the other hand, copper production was fully as large in November as in October and coal production showed an increase of almost one-half. Mining of all kinds showed much greater totals in November this year than a year ago. Iron ore shipments and gold production were eight times as large; copper production more than four times as large and silver production almost twenty-two times as large; and there was an increase of one-sixth in coal production.

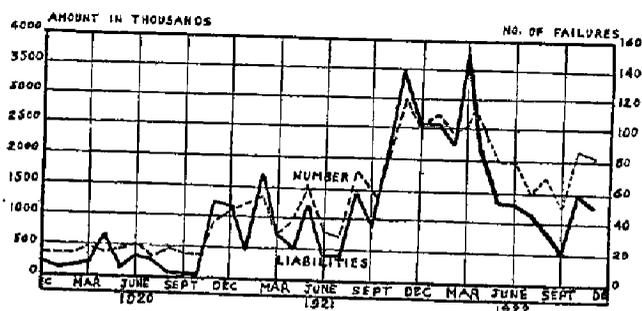
Building activity in eighteen important cities in this district declined between October and November in number of permits granted, but increased in the valuation of permits, owing to exceptionally large figures at Minneapolis and Duluth. Normally, as evidenced by the experience of the past two years, both the number and valuation of building permits decline during November. Permits were higher in number and valuation than a year ago.



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

The employment summary made on December 1 by the United States Industrial Employment Survey of the Federal Department of Labor is much more cheerful than the survey of a year ago at this time. The prospects are for a good volume of work throughout the district which will absorb nearly all but professional "panhandlers" who are "always with us." Although there is a considerable surplus of agricultural labor, the men are rapidly being re-employed by the northern lumber companies for work in the woods. Among the industries, meat-packing, steel manufacturing and copper mining show gains; but the milling industry is affected by restricted transportation facilities. Building operations have declined throughout the district on account of the cold weather and snow and there exists a surplus of skilled building labor at the present time.

The volume of business in this district measured by bank debits to individual accounts declined 10 per cent between October and November, owing to seasonal causes. In 1921 the decline between these two months was 13 per cent, in 1920 6 per cent and in 1919 12 per cent. November debits were on a somewhat higher level this year than a year ago, but were lower than either 1919 or 1920, owing probably to the lower price level. The movement out of the district of northwestern products as evidenced by eastbound traffic through the Soo Canal was almost one-fifth less in November than in October, owing to declines amounting to one-third in shipments of iron ore and lumber and one-tenth in shipments of copper. Flour shipments increased slightly and wheat and other grain shipments increased materially between the two months, owing largely to the final rush of Canadian grain to tidewater before the freeze-up on the lakes. As compared with a year ago, this year's eastbound traffic was more than two and one-half times as large, owing to greatly increased shipments of iron ore and an increase of two-fifths in shipments of grain. Business failures reported for this district during November by R. G. Dun and Company declined slightly in number and more considerably in liabilities between October and November. The number of failures was one-third less and liabilities two-thirds less than a year ago. November business failures in this district totaled eighty-two with liabilities amounting to \$1,270,805.



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

Financial conditions prevailing in November are reflected by a small expansion in the loans of commercial banks, while loans at this Federal Reserve Bank were being paid off. Reports from thirty-one selected member banks in this district show that their loans to customers increased eight million dollars, their demand deposits increased four millions and time deposits more than one million, while cash and reserve balances with this bank declined more than three millions. Their borrowings from this bank declined slightly and their holdings of securities increased one million. Commercial paper outstanding in this district showed a further decline during November and is at the lowest point in several years. Accommodation extended by this bank to member banks in the district declined two millions during November and reserves increased two millions. There was a slight decline in security holdings, in member banks' reserve deposits and in float.

During the first two weeks in December thirty-one selected member banks in this district showed a decline of three-quarters of a million dollars in loans to customers, but further increases of 2½ millions in demand deposits and 1 million in time deposits. These banks increased their holdings of securities 1½ millions, and their cash in vault 1 million, probably in preparation for the Christmas demand for currency. This Federal Reserve bank experienced a further decline in accommodation of more than one-half million during the same two weeks and cash reserves were drawn down more than 1¼ million, part of this withdrawal being off-set by an increase in security holdings of three-fourths of a million. Federal Reserve notes outstanding increased 1¼ millions during the two weeks and there was an increase in float, both changes being due to increased activity of business incident to Christmas.

Interest rates at Minneapolis banks stiffened during the month ending December 15. The rate charged by banks on prime customers' commercial notes, on loans secured by government obligations and on commodity paper secured by warehouse receipts increased ½ per cent and endorsed bankers' acceptances increased ⅜ per cent, in the most customary quotations. The period from November 15 to December 15 has been during the past four years a time when interest rates moved not so much from seasonal causes as from cyclical causes. In 1919 interest rates rose, the greatest increase occurring in rates on demand paper. In 1920 the rates were steady at the highest point that they reached in this territory. In 1921 all important rates showed declines and this year some of the important rates have shown increases.

Savings deposits in the Twin Cities and Duluth showed another slight advance during the month of November, continuing the upward movement which has been uninterrupted since May of this year. Deposits were almost 7 per cent larger on December 1 this year than a year ago.

Summary of National Business Conditions

(Compiled December 27th by the Federal Reserve Board)

The volume of production and employment continued upward in November and prices registered a further advance.

Production

Contrary to the usual trend at this season of the year, production in basic industries in November continued to increase. Since July 1921 when production was lower than at any time in recent years, there has been an almost uninterrupted rise month by month. The index, illustrated in the chart on the reverse side of this sheet, in which allowance has been made for seasonal changes, shows that production in basic industries during November was 52 per cent higher than in July 1921, and seven per cent higher than in October 1922. The chief advances from October to November were in mill consumption of cotton, which reached a monthly total exceeded only once since 1917, and in the production of pig iron which was larger than at any time in the past two years. Building operations were maintained on a large scale despite the approach of winter.

Final estimates for the year placed the yields of all principal crops ahead of 1921, except that of corn which was unusually large in 1921. As a result of these larger yields and the higher prices as well, the total farm value of crops grown in 1922, based on prices received at the farm, as of December 1, is estimated to be 25 per cent larger than in 1921, but 17 per cent less than in 1920.

Increased production was accompanied by continued heavy freight movement. The total number of railroad cars loaded during November was substantially larger than in the corresponding month in previous years, although five per cent less than in October. The decline in the demand for cars and a further decrease in the proportion of cars out of repair have resulted in a considerable reduction in the freight car shortage.

Demand for labor continued to increase, as shown by the volume of employment at industrial establishments. Local shortages of labor were reported by steel mills, textile mills, and building contractors in eastern districts, but some surplus of common labor was reported from agricultural districts.

Wholesale Prices

Wholesale prices advanced during November and reached the highest level since March 1921. The rise of two points in the Bureau of Labor statistics index to 156 was due chiefly to advances in the prices of farm products, foods, and clothing, which rose to the highest point of the year. These advances more than offset the decline in the prices of fuels and metals.

Volume of Trade

Wholesale trade in lines reported to the Federal reserve banks was substantially larger during November than in the corresponding month last year. Sales of department stores and mail order houses during November were also larger than a year ago, and reports on Christmas trade thus far received indicate sales larger than in either 1920 or 1921. The volume of payments by check was seven per cent smaller in November than in October, due partly to the smaller number of business days, but was ten per cent larger than in November 1921.

Bank Credit

During the period between November 22 and December 20 Federal reserve banks have been called upon to supply the extra currency needs of the holiday trade, and this demand is reflected in an increase of \$157,000,000 in Federal reserve note circulation, bringing the total to the highest point for the year. A decline of \$43,000,000 in gold reserve was also largely due to increased use of gold for currency purposes. The total earning assets of the Federal reserve banks rose during the period \$145,000,000 partly in response to the demand for currency and partly in consequence of heavy government operations on December 15.

In the four weeks prior to December 13, the loans and investments of member banks in leading cities were little changed, though in the latter part of the period a renewed demand was manifested for commercial loans offset to some extent by a decline in investments.

Summary of National Business Conditions now Available for our Readers

This office has made arrangements during the past month with the statistical division of the Federal Reserve Board to receive from it each month a concise summary of national business conditions and material for several charts to accompany it, both included for the first time in this pamphlet for the information of our readers.

The summary of conditions in the United States will be compiled by the Federal Reserve Board from reports of the twelve Federal Reserve Agents and from collateral material collected from other sources by the Federal Reserve Board itself. It will discuss briefly current developments in production, agriculture, labor, prices, volume of trade and bank credit.

(Over)

The charts, which will vary somewhat from month to month, will deal in general with four topics: (a) production, (b) prices, (c) volume of payments by check, and (d) bank credit. With respect to (d), for the present two charts will be alternated from time to time, one a chart showing the movement of Federal Reserve notes and earning assets of the twelve Federal Reserve banks combined, and the other showing the movement of loans and discounts, investments and demand and time deposits of eight hundred selected member banks in the United States. With the last three groups of charts our readers are already familiar because the material presented in graphic form has been discussed for several years in our reviews and in every periodical which is interested in business conditions. The figures for banking will be those of the current month, but the other figures will necessarily relate to the preceding month. The wholesale price index is that of the United States Bureau of Labor Statistics which uses average prices in 1913 as a base. The first chart, however, is new to our readers and was first presented to the public during the last month. Therefore, a brief description of the material used in it is given below.

Description of Production Chart

Accurate and current information concerning the trend of production is fundamental to an interpretation of national business conditions and hence to the shaping of business policies. To give such information, the Federal Reserve Board has prepared a new monthly index of production in the United States.

The data for this index was selected to include only such material as would be available by the twenty-fifth day of the following month and in such a manner that the series represent as many of the major industrial groups as possible. Twenty-two series representing eleven production groups were finally selected.

It was next necessary to give each of these groups its relative importance in the index according to its importance in the total production activity of the United States. This was done through a comparison of the different groups as shown in the census of 1919.

The comprehensive scope of the index and the relative importance of the groups chosen is shown in the following table:

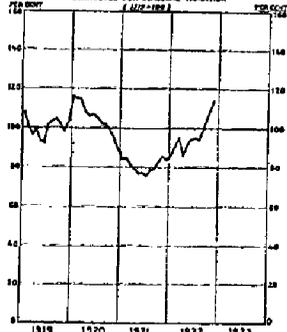
Production Groups	Weights Used in Index
Iron and steel	24.0
Textiles	22.0
Food Products	11.5
Lumber	11.0
Coal	9.0
Nonferrous Metals	5.0
Leather	5.0
Newsprint	4.5
Cement	3.0
Petroleum	3.0
Tobacco	2.0
Total	100.00

In constructing the chart the average monthly production of the year 1919 was considered 100 and the production of every other month was shown as a percentage of this base. The year 1919 was chosen as the base because it was the first year after the war, was neither a year of excessively high nor unduly low production and was a census year for which much detailed information was available.

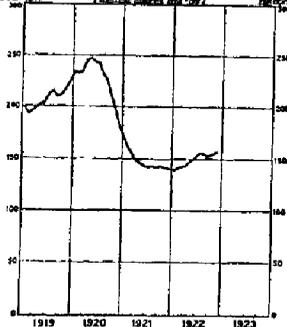
It is to be noted that this chart has been corrected for seasonal variation. In other words, it is recognized that production increases and decreases with the season of the year and with the length of the month and that these seasonal variations are of no great significance in judging the status of business, providing that production moves in a normal manner. It is, therefore, interesting to study only the variations from normal no matter what the time of year or the length of the month. For this reason seasonal variations have been corrected through a simple mathematical process and the resulting chart gives a true picture of the movement of production according to the business cycle with the seasonal factor removed.

It is interesting to note that production during the greater part of 1920 was above the base, but that 1921 and 1922 until the last two months have been below the base. When the chart is extended back to 1913 the movement of the business cycle in production is more clearly evident. Production during the years 1913, 1914 and 1915 were below the production of 1919, but production in 1916, 1917, 1918 and 1920 were above the 1919 production. Before the summer of 1921, there had been no very low point reached in production for more than six years, the last trough of subnormal production occurring in the fall of 1914.

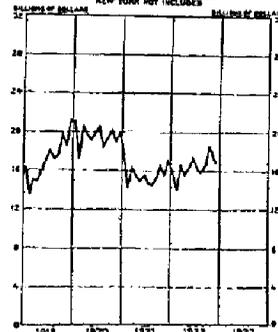
INDEX OF PRODUCTION IN BASIC INDUSTRIES
COMPOSITION OF 22 INDUSTRIAL SERIES
ADJUSTED FOR SEASONAL VARIATION
(1913-1919)



PRICES
INDEX NUMBERS OF WHOLESALE PRICES
U.S. BUREAU OF LABOR STATISTICS
(1913-1919)



VOLUME OF PAYMENTS BY CHECK
CHECKS DRAWN ON BANKS IN 140 CITIES
NEW YORK NOT INCLUDED



BANK CREDIT
SEE MONTHLY BANKS IN LEADING CITIES

