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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DISTRICT SUMMARY FOR THE MONTH.

The volume of general business, measured by bank debits, was 5 per cent less in January than in December. This is a smaller decline than has taken place between the same months during any one of the preceding four years. Some dullness should be expected in trade and manufacturing in mid-winter, particularly after the rush of the Christmas season, and during the month of inventory taking. It is gratifying to note that the volume, as compared with a year ago, was one-third better, according to the bank debits, and was better in every line of business from which we receive separate reports, except for sales of dry goods at wholesale. During the month of January, there were declines from the December volume in flour milling, and retail sales of merchandise; and increases in lumber manufacture, mining production, and wholesale sales, except of groceries. There has been full and satisfactory employment of labor. Failures recorded another peak during the month, although there have been higher points reached in recent years.

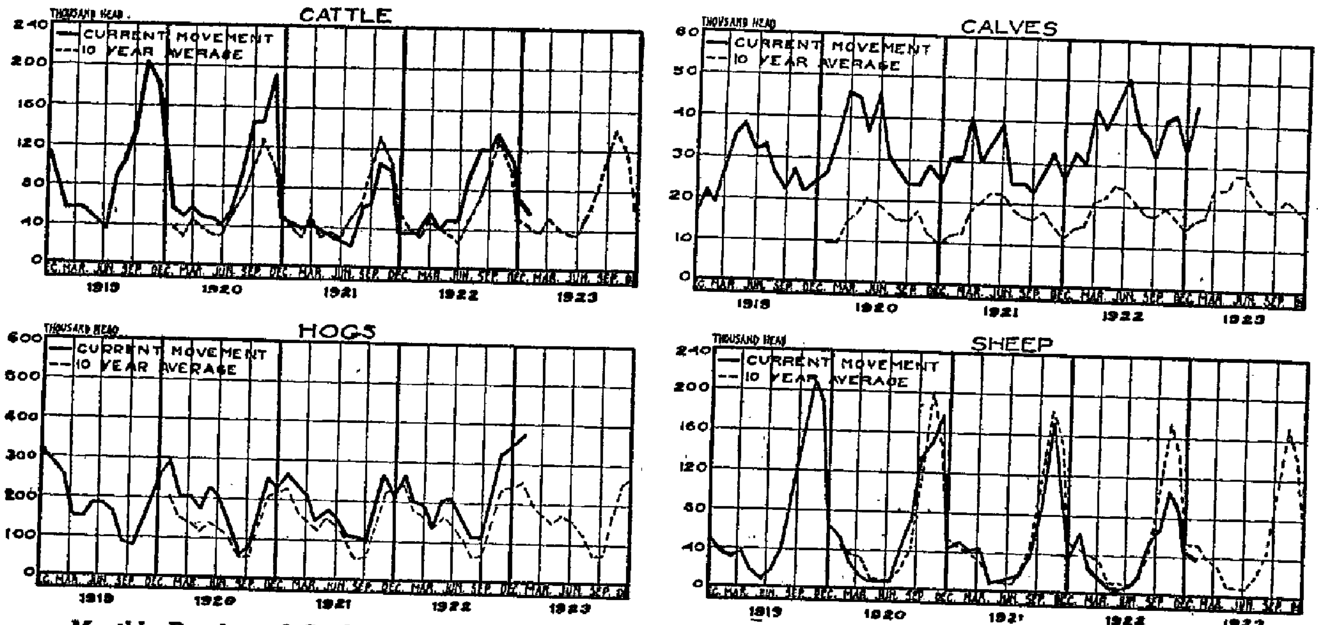
Grains and livestock continued to move to market in much larger volume than normal during January. The very heavy movement of hogs and calves reflects the profitable utilization of cheap corn and the development of dairying. The decline in sheep receipts and shipments of cattle for feeding purposes larger than a year ago, indicates improved confidence in the stability of livestock values. Indeed, the market demand for livestock during the month was very satisfactory as prices rose for all kinds of livestock, except lambs, in the face of the heavy receipts. The grain movement was well above normal in the case of wheat and rye, and resulted in a 50 per cent increase in terminal elevator stocks of grain at the end of January as compared with the end of December. Although grain receipts declined during the month, market demand was not sufficient to maintain the median prices of any grain, except flax.

There was a continuation of the moderate improvement which prevailed in the preceding month in the condition of the banks. Representative banks enjoyed an increase in deposits, bringing their total deposits about 3 per cent larger than at the end of December, and as there was practically no change in the volume of loans, security holdings increased. Interest rates generally were a trifle weaker on the shorter datings. This Federal Reserve Bank had declining loans in January as well as during the first two weeks in February. There was the customary contraction of Federal reserve note issues during the post-Christmas season. Holdings of securities declined in January. A substantial quantity of acceptances were purchased in February.

TOPICAL REVIEWS

Livestock marketing at South St. Paul experienced its customary increase in January, with increased marketing of hogs and calves. The volume of marketing in January was greatly above the normal volume, as indicated by the ten year average. Receipts of calves were more than double the normal amount and hogs arrived in volume one-half larger than normal, reaching the exceptional figure of 375,467 head for the month, which has only been exceeded once in the market's history, in January, 1916. Cattle receipts were one-third larger than normal. Sheep receipts, on the other hand, were only about one-half as large as the normal volume. As compared with last year, January receipts this year were two-fifths larger for hogs and calves, one-third larger for cattle, but two-fifths smaller for sheep.

Shipments of feeder stock to the country from South St. Paul declined during January from the December volume in every case except hogs, which were returned to the country in the same volume in January as in December. Shipments of all classes were strong during the first half of the month, but demand fell off toward the end of the month. As compared with January a year ago, however, feeder shipments of all classes were larger. Shipments of feeder hogs were nearly four times as great, feeder sheep more than twice as great, calves almost twice as great and cattle in slightly larger volume.



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

Livestock holdings on January 1, 1923, when compared with January 1, 1922, in the four complete states in the Ninth Federal Reserve District, according to the United States Department of Agriculture, Bureau of Agricultural Economics, showed increases in the number of milk cows, sheep, swine, and mules; and decreases in the number of horses and cattle other than milk cows. (See table below.)

The total increase for the four states in milk cows was 120,000 head, which is slightly greater than one-third of the total increase in milk cows throughout the entire United States during the past year, showing that the farmer in the Northwest is accepting the milk cow with her steady income the year round, as a valuable partner in his enterprise. The number of milk cows as well as of swine, was larger in each state.

Although the holdings of sheep in the Ninth Federal Reserve District are 10 per cent of the holdings in the entire United States, the increase in this district during the year 1922 was less than one-half of one per cent of the United States increase, indicating that the farmers in this district have not as yet accepted completely the principle of diversifying their live stock holdings as well as their crops. This small net increase in the number of sheep was due to large increases in Montana and South Dakota, although nearly offset by reductions in Minnesota and North Dakota.

Each state contributed to the decrease in the number of horses, while the holdings of mules by states was the same as a year ago, with the exception of Montana, which showed an increase of 1,000 head. Similarly, there were decreases in the number of cattle other than milk cows in each state, the greatest decline being in South Dakota where there was a reduction of 80,000 head.

Effects of winter weather on prospects for grain and livestock.—The lack of snowfall and temperatures well above zero which existed during the month of January have probably caused considerable winter killing of grains in this district, particularly in Montana, where some fields of both winter grains and alfalfa were reported as practically bare. The moderate weather during the month, however, made it possible for the farmers to do considerable plowing in Montana.

The mild weather early in January helped winter feeding of livestock on the ranges which were in an unusually favorable condition throughout the month,

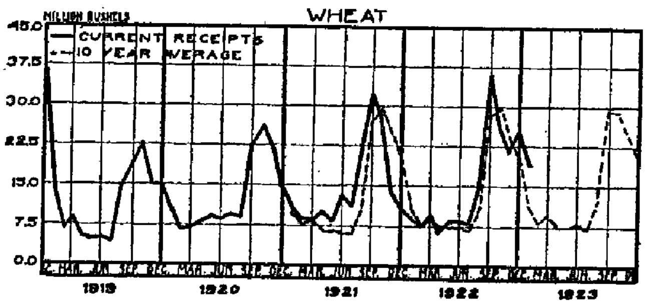
LIVE STOCK HOLDINGS ON JANUARY 1, 1923 AND JANUARY 1, 1922
As Estimated by the United States Department of Agriculture, Bureau of Agricultural Economics
(000's omitted)

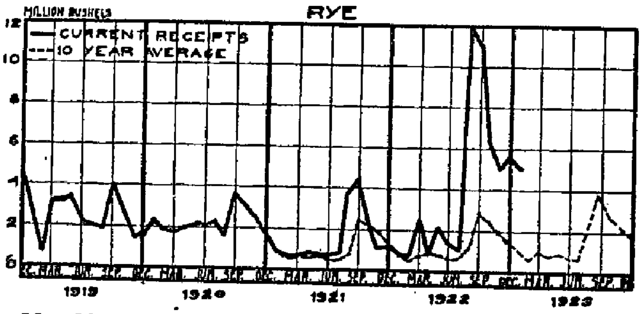
State	Horses		Mules		Milk Cows		Other Cattle		Sheep		Swine	
	1923	1922	1923	1922	1923	1922	1923	1922	1923	1922	1923	1922
Minnesota	887	905	10	10	1,641	1,578	1,289	1,343	400	445	2,610	2,330
Montana	643	670	10	9	165	160	1,235	1,260	2,315	2,270	198	180
North Dakota	797	815	8	8	503	484	814	848	240	250	478	435
South Dakota	760	784	14	14	450	417	1,521	1,601	703	689	2,283	1,938
Four States	3,087	3,174	42	41	2,759	2,639	4,859	5,052	3,658	3,654	5,569	4,883

despite reports of ice-coating in western Dakotas and some water shortage in Montana. Some losses have been reported from feeding moulded hay in North Dakota, and from hog cholera in Minnesota, but, as a whole, losses have been very light. Dropping of lambs was occasionally reported and the mild weather has greatly decreased the mortality. The colder weather at the end of the month necessitated more extensive feeding, which resulted in more losses from moulded hay, particularly in North Dakota. As a result, the additional marketing of livestock, especially stocker and feeder steers, noticeably increased, being much in excess of a year ago.

The condition of ranges in 17 western states, including this district, on January 1, averaged 85 per cent of a normal, compared with an average of 84 per cent on December 1, according to the United States Department of Agriculture, Division of Crop and Live Stock Estimates.

Receipts of grain at Minneapolis and the Head of the Lakes showed a seasonal decline between December and January of about one-fifth, although receipts of corn showed a small seasonal increase. Wheat and rye receipts were above the ten year average for the month, but flax, oats and barley continued below normal. As compared with January receipts last year, this January's receipts of rye were six times as large, receipts of wheat and barley more than twice as large and receipts of flax one-half larger. Receipts of oats were the same as a year ago, but corn receipts were only one-fourth of the volume last year. Receipts of grain at Duluth-Superior were negligible during January, except for wheat, rye and flax.





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

The marketing of grains in North Dakota and Montana has continued steadily, while marketing in South Dakota was very light. Minnesota marketing of grain was regular except for corn, which was somewhat retarded by the scarcity of cars. Potato marketing continued sluggish throughout the district at unattractive prices, except for the movement of some seed stock for Minnesota. Montana reports large quantities being fed to livestock.

Grain stocks in elevators at Minneapolis and the Head of the Lakes showed an abnormally large increase of 50 per cent between the end of December and the end of January. This increase was due almost entirely to increases in wheat stocks, which more than doubled and amounted to more than 20,000,000 bushels at the end of January, and stocks of rye, which increased almost two-thirds and amounted to more than 7,000,000 bushels. As rye is an export crop, 5,000,000 bushels of the total stocks in terminal elevators were at Duluth where supplies are being piled up awaiting the opening of navigation in the spring. Stocks of corn almost trebled during the month, but were in small volume, and stocks of barley increased one-fifth. Oat stocks declined for the fourth consecutive month and flax stocks were only one-third as large at the end of January as at the end of December. As compared with last year, January stocks of all grains this year were one-tenth lower, owing to the fact that oat stocks were less than one-half as large this year as last and that stocks of corn were less than one-tenth as large. On the other hand, stocks of wheat were twice as large and rye more than three times as large as a year ago. Stocks of barley were in the same volume, but flax stocks were only one-third of last year's total.

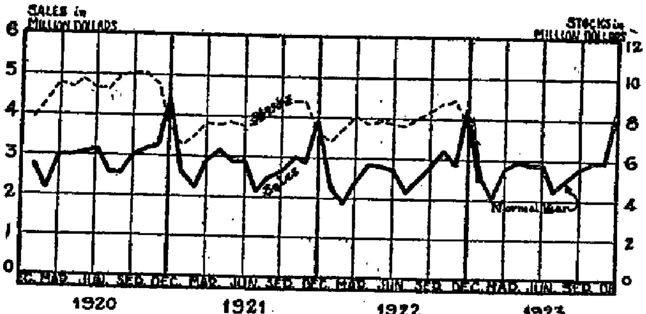
The prices at northwestern terminal markets of the chief products of the farm exhibited mixed tendencies during January. Livestock prices increased, except the price of lambs, and grain prices declined, except flax. Supplies of good cattle during the first half of January, for slaughter and for feeding purposes, were large, but the demand was strong and median prices rose from 25 cents to $1.25 for different kinds. During the last half of the month, demand for feeder stuff fell off and cattle prices at other markets declined, making local buyers indifferent at existing local prices. The market weakened, purchases were light and as a result, supplies fell off. Sales in the last half of the month were not in sufficient volume to depress our medians greatly. Although hog supplies were abnormally large, there was strong competition between local buyers and shippers and the prices remained strong. Our median for lambs fell off 25 cents from the high point reached last month. The price of lambs was influenced by the sentiment that supplies were fully large enough to cover the demand at January prices, and it was then freely predicted that of the 30 per cent larger number of sheep and lambs on feed this winter, as compared with a year ago, almost one-half of the number in the corn belt region would be marketed in January, according to the expressed intention of feeders of that section.

The declines in median grain prices were slight, but there was an increase of more than 20 cents in the price of the best flax, which equalled the high price of 1922 reached in May.

The price of the best flour declined almost 50 cents a barrel at Minneapolis during January, but showed a slight recovery during the first half of February. Eggs, hens, butter and lemons declined during January in the Minneapolis wholesale market and cheese (Young Americas), veal, grapefruit, celery and green beans increased.

Retail trade in this district showed mixed tendencies during January. Sales of general merchandise declined more than two-fifths from the December total and were below normal for the month, which was probably due to the fact that December sales were abnormally large and absorbed the immediate purchasing power of the public. Lumber sales were slightly larger in January than in December. As compared with last year, sales of general merchandise were 10 per cent larger and lumber sales more than 50 per cent larger. Retailers increased their purchases from wholesalers of all commodities except groceries, during January as compared with December. Dry goods and lumber in particular showed increases of almost three-fifths. As compared with January last year, purchases from wholesalers were larger for all commodities except dry goods, which showed a slightly smaller volume. In fact purchases of agricultural implements were two and one-half times as large in January this year as in the same month a year ago. Hardware purchases were almost two-thirds larger and lumber orders one-fourth larger. Retail stocks of general merchandise declined 10 per cent between the end of December and the end of January, partly on account of end-of-the-year write-offs, but these stocks were as large as stocks a year ago. Retail lumber stocks were two-fifths larger at the end of January than a month previous, but were slightly smaller than a year ago.

The accompanying chart shows the movement of sales and stocks of retailers of general merchandise in this district during the last three years. The curves represent largely city conditions at Minneapolis, St. Paul, and Duluth-Superior, 92 per cent of the dollar amount of the sales reported being made in these cities and the other 8 per cent distributed throughout Minnesota, South Dakota, and Montana.



Sales and Stocks of General Merchandise at Twenty-five Stores in the Ninth Federal Reserve District.

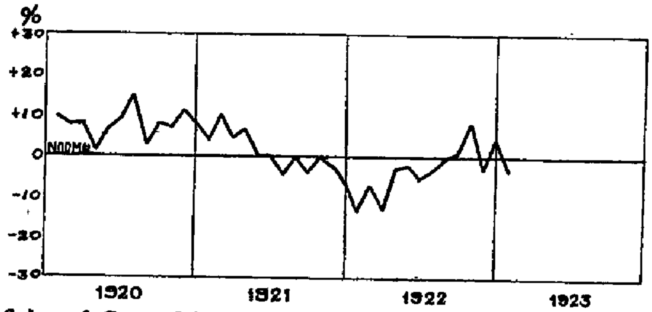
In this chart the seasonal movement of sales and stocks is very apparent. The small bulge of sales during the spring and early summer months, the mid-summer slump, the gradual increase of sales culminating in October and the peak of sales in December are especially evident. It is also interesting to note the manner in which retailers increase their stocks preparatory to handling the larger volume of business in the early summer and in the fall, and how these stocks are allowed to decline in mid-winter.

The spread between the volume of sales and the stocks of merchandise held was greatest in 1920 and least in 1921, which indicates that the turn-over of stock was most rapid in 1921 and least rapid in 1920. To indicate roughly the relative turnover in each of the three years, the annual sales of reporting stores have been divided by the average stocks held during each year, using end-of-the-month figures for computing average stocks. The resulting figures show that in 1920 the turn-over was 3.95 times a year, in 1921 4.36 times and in 1922 4.15 times. This method of figuring turn-over is not exact, but every year's figures contain the same inaccuracies. In the first place, stocks are reported to this office at cost price and sales are reported at the selling price. Obviously, the turnover figures would be lower if stocks were reported at the selling price. In the second place, it is not very accurate to use end-of-the-month figures as representative of stocks held during the month.

In the 1923 space on the chart, a curve has been drawn to illustrate the normal movement of retail trade in this district, according to the reports of the stores co-operating with this office. This curve was prepared by computing the median variation from month to month in sales during the last three years and then applying these median variations to the average monthly sales during 1921.

The number of stores reporting to this office in 1920 was not as great as in 1921 and 1922, but as the 1920 list of stores was made up of about the same proportions of city and country stores as the list in the later years, it was decided that for historical purposes the 1920 figures were too valuable to be left out of the chart, and the figures of the 1920 stores have been increased by an amount which makes them comparable with the figures of the larger number of stores in 1921 and 1922.

Retail sales of general merchandise as an index of prosperity. An index of prosperity or of fluctuations in purchasing power of the urban population is to be found in the amount of buying done in the cities in any month as compared with the normal amount for that month. The accompanying curve shows the fluctuations in the effective purchasing power of the city population of Minneapolis, St. Paul, and Duluth and to some extent of other cities in this district. The slump between the summer of 1920 and the winter of 1921-22 and the subsequent rise until the fall of 1922 are very apparent.



Sales of General Merchandise at Twenty-five Stores in the Ninth Federal Reserve District Adjusted to Eliminate Seasonal Influences

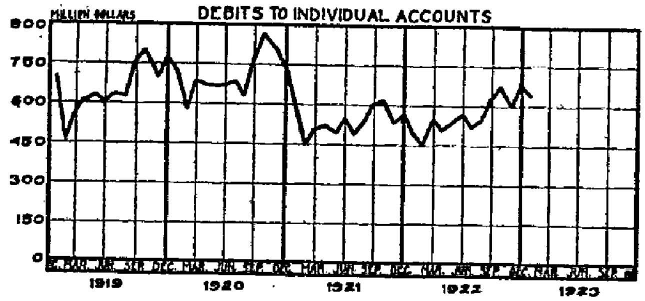
This curve should not be interpreted to mean necessarily that a larger volume of goods was sold as these comparisons with normals were made solely on a dollar basis. The decline in the dollar value of purchases from 15 per cent above normal to 13 per cent below normal between July, 1920, and January, 1922, might be accounted for entirely by a decline in prices, while the physical volume of goods sold might be exactly normal in both months. The value of this curve is, therefore, not to determine the normal or abnormal volume of goods sold, but rather the normality of the variations in the dollar amount of purchases made by customers of these stores, or in other words, consumers' purchasing power.

The method of preparing this curve was to compare the volume of sales during each month in the normal year, discussed in the retail trade section on page 4 with actual sales during the corresponding month in each of the three years from 1920 to 1922. The normal year was based on the average monthly sales during 1921, because the average monthly sales during this year were larger than during 1922, but smaller than during 1920, so that in volume of sales, the year 1921 was probably more nearly normal than either 1920 or 1922.

Building projects for which permits were issued at eighteen northwestern cities during January showed slightly larger totals in number than during December, but somewhat lower dollar amounts. As compared with January last year, the number of permits issued in January, 1923, was one-third larger and the valuation of these permits two-thirds larger.

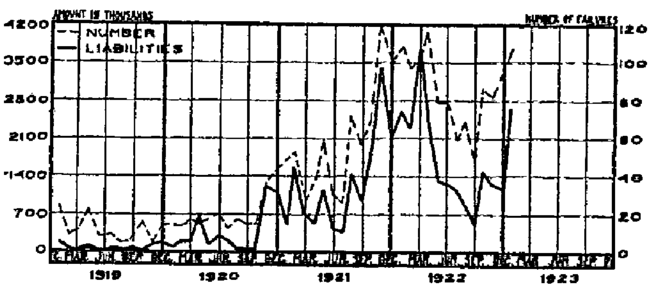
Mining output in Michigan and Montana was slightly larger in January than in December, with the exception of coal, and the output, except of coal, was very much greater than last year in January. Coal declined as compared with December and the output was the same as in January last year. As the lake shipping season is not open for 1923, there is no record of shipments to be used as an index of output of iron mines in this district during the last month.

Manufacturing operations in this district during January showed some increases and some declines from the December volume. The output of lumber mills made an important increase of two-thirds, but flour production showed a seasonal decline of about one-tenth. As compared with last year, flour production was slightly larger during January, but lumber cut was almost three times as large in volume. Deliveries of northwestern manufactured products during January were smaller on the whole than during December, although lumber shipments increased one-fourth. As compared with January a year ago, however, shipments of all products were larger, linseed oil in particular showing an increase of one-half and lumber an increase of one-third. Stocks of lumber in manufacturers' hands were somewhat lower at the end of January than at the end of December and one-fifth lower than a year ago.



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

The volume of business in this district measured by bank debits to individual accounts declined only 5 per cent between December and January, the smallest decline registered in any of the last four years. Moreover, January debits were almost one-third larger than January debits last year and one-tenth larger than debits in January two years ago. They were smaller, however, than in January, 1920, or January, 1919. The larger volume of business being done this month did not improve business profits enough, however, to curtail the volume of business failures in this district. Failures as reported by R. G. Dun and Company for January were 108 with liabilities totaling $2,655,679. These figures for January were the third largest in number and the fourth largest in liabilities of any month on record. Liabilities were more than twice as great as last month and slightly larger than a year ago in January. The number of failures was one-seventh larger than last month and slightly less than a year ago.

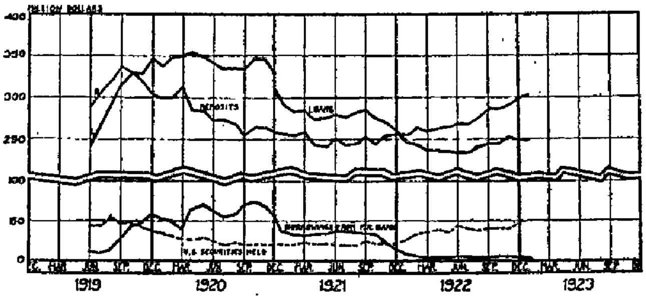


Business Failures in the Ninth Federal Reserve District (Reports From R. G. Dun & Company)

Employment conditions in this territory continued very favorable for this season of the year, according to the February 1 Summary of the United States Industrial Employment Survey. More men are being employed by metal mining companies and in lumbering and general construction activities. Logging operations are making new records. (Lumber firms reporting operations to the Federal Reserve Agent at Minneapolis have increased their crews in the woods two-thirds and in the mills seven-eighths over last year.) On the other hand, building operations are at a low ebb, and the call for farm help is light in many sections. The ice harvest is absorbing common labor in some sections.

Financial conditions in January continued favorable in this district, although there was a noticeable tendency among bankers to prepare for the credit extensions incident to farm operations in the spring. Interest rates on short time and demand paper were weak, but rates on longer maturities were firm. Bankers stocked up somewhat with the larger denominations of Federal reserve notes, which are used primarily as reserve cash in a concentrated form.

There was no change during January in the total of loans made by 30 selected member banks in this district or in their time deposits, but demand deposits increased almost 7 million dollars or 3 per cent. This increase in demand deposits allowed these banks to increase their security holdings more than 6 millions and to reduce their borrowings from this bank more than 1 million. Commercial paper outstanding in this district on January 31 increased one-fifth over the amount outstanding one month previous and more than two-fifths over the amount outstanding at the end of November, when the lowest point was reached in more than three years. Undoubtedly this sharp increase in commercial paper placed in this district was due to the increased demand for working capital by firms which are expanding operations and to the demand of northwestern bankers for prime short term investments.



Movement of Loans, Investments, Deposits and Borrowings of Selected Member Banks in the Larger Cities of the Ninth Federal Reserve District

Loans made by this Federal Reserve Bank to its member banks declined more than 2 millions in January and deposits with this bank increased almost 3½ millions, of which increase only slightly more than one-half million was in member bank reserve deposits. United States security holdings declined more than 4 millions during the month and reserves increased almost 7 millions. Federal reserve notes in circulation declined 4½ millions. This decline was entirely in the fives, tens and twenties, which are largely used for pocket money, and were returned to this bank when the Christmas demand for pocket money was over. On the other hand, the larger denominations in circulation increased one-third of a million, or more than 7 per cent, indicating that bankers are building up their safety funds to meet unusual demands which are considered more likely to occur this spring than in midwinter. Two interesting developments of the month were the re-entrance of this bank into the banker's acceptance market and the complete cancellation of this bank's liability for the redemption of Federal reserve bank notes in circulation by the United States Treasury Department following redemption of the Pittman Act Certificates of Indebtedness which had been pledged as collateral for these notes.

During the first two weeks of February, this bank experienced a further decline of almost 2 millions in accommodation to member banks, and reserve deposits of these banks increased almost 3 millions. Holdings of purchased banker's acceptances increased 4 millions and holdings of United States securities increased 1 million, while reserves declined 3½ millions. Federal reserve notes in circulation increased slightly.

Interest rates at Minneapolis on important classes of paper showed very little change during the month ending February 15, but rates on banker's acceptances, on demand paper and on prime customer's paper of 30 to 90 day maturities were somewhat weaker than a month ago, while rates on prime commercial paper running four to six months were a trifle higher.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled February 26 by the Federal Reserve Board)

Further increase in the volume of production in basic industries to a level higher than in 1919 or 1920, a continued advance in the prices of many basic commodities, additional borrowing from banks for commercial purposes, and somewhat higher money rates are the principal recent developments in the business situation.

PRODUCTION

Production in basic industries, as measured by the Federal Reserve Board's index, was 6 per cent higher in January than in December and reached a volume exceeded only once in the past, in May, 1917. Production of steel ingots and of anthracite coal and mill consumption of cotton showed particularly large advances, and most other important industries increased their output. Building operations have been maintained on a large scale.

The expansion in production during January was accompanied by a substantial increase in freight shipments. Carloadings of forest products, reflecting the continued building activity, reached the highest monthly total on record, and loadings of merchandise and miscellaneous commodities were higher than in any January of the past four years.

Industrial employment continued to increase during January, and shortages of both skilled and unskilled labor were reported by textile mills, steel mills, and anthracite coal mines. More wage increases at industrial establishments were announced than in December. There is still some unemployment in states west of the Mississippi. In industrial and commercial centers there has recently been a larger demand for office workers, although throughout the country there is much unemployment in this group.

PRICES

The index number of the Bureau of Labor Statistics, computed from the wholesale prices of about 400 commodities, including finished and semi-finished products as well as raw materials, showed the same average level of prices in January as in November and December. Between December and January the prices of clothing, fuel, metals, building materials, chemicals, and house furnishings advanced, but these advances were accompanied by declines in farm products and food, so that the combined index remained unchanged. During recent weeks the prices of a number of basic commodities advanced rapidly and in many cases reached the highest points since 1920 or the early part of 1921. Among commodities reaching new high levels for the current movement were corn, beef, cotton, wool, silk, hides, lumber, rubber, linseed oil, copper, lead, and pig iron.

TRADE

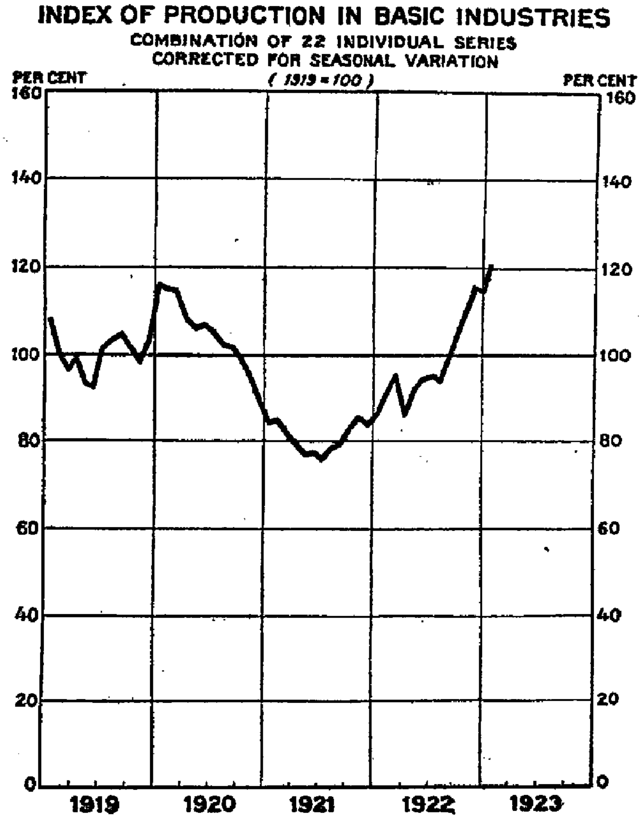
An active distribution of goods for this season of the year is indicated by reports to the reserve banks both of wholesale and retail dealers for the month of January. Sales of department stores in over 100 cities were 12 per cent larger than in January, 1922. Inventories for January show that there has been no large increase in stocks of goods held by department stores, and the rate of turnover continued rapid. In wholesale lines there were particularly large sales during January of dry goods, drugs, hardware, and farm implements.

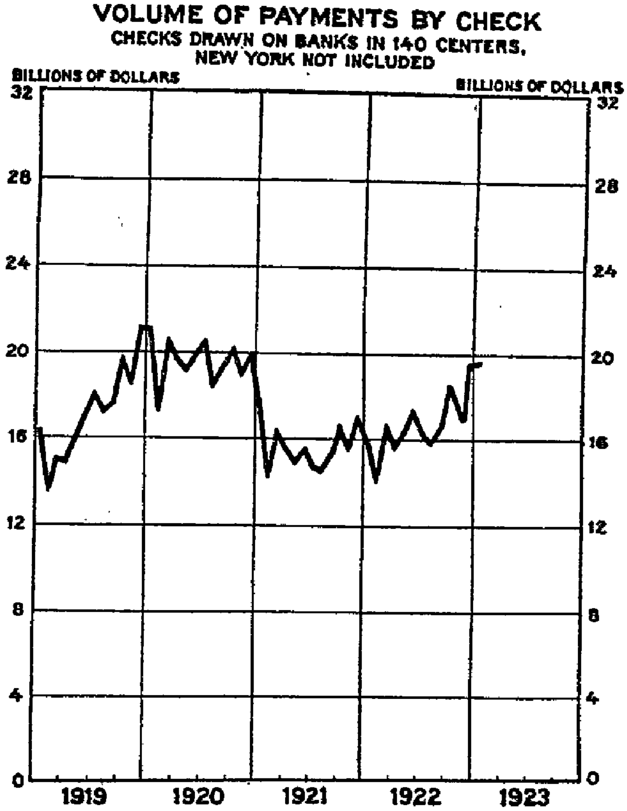
BANK CREDIT

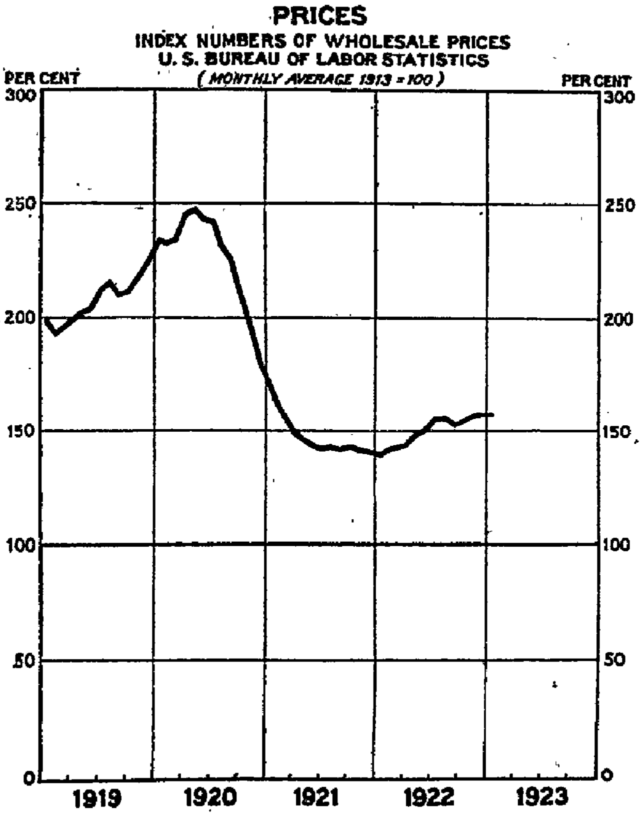
The larger volume of commercial borrowing at member banks in recent weeks has been contrary to the usual trend of the season. Commercial loans of reporting member banks on February 14 were $243,000,000, or 3 per cent larger than at the end of December and 7 per cent above the level at the end of January, when the general demand for credit first showed an upward turn.

The increased demand for credit at the member banks has resulted recently in an increased volume of borrowing by the member banks at the reserve banks, chiefly Boston, New York, and Philadelphia. On February 21, the loans to member banks were $628,000,000 or $248,000,000 higher than in mid-summer. During the same period the volume of government securities and bankers' acceptances held by all Federal Reserve Banks declined $161,000,000, resulting, therefore, in a net increase of $87,000,000 in the loans and security holdings of the reserve banks. The volume of Federal reserve notes in circulation which showed the usual post-holiday decline in January began to increase on January 31, a week earlier than last year.

Money rates also showed a tendency to become firmer, especially in recent weeks. The open market rate for commercial paper, which was 4 per cent last summer, rose during February from a range of 4¼-4½ to a range of 4¾-5 per cent. On February 23 the discount rate on all classes of paper at the Boston and New York Reserve Banks was advanced from 4 to 4½ per cent.







Base Selected by United States Bureau of Labor Statistics