

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

JOHN R. MITCHELL, Chairman of the Board
and Federal Reserve Agent

CURTIS L. MOSHER—J. F. EBERSOLE
Assistant Federal Reserve Agents

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EDITORIAL NOTICE:—This report is prepared monthly in the office of the Federal Reserve Agent for the purpose of providing the 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.

DISTRICT SUMMARY FOR THE MONTH

The improved agricultural outlook, based on increased estimates for small grain production, and stronger prices for livestock, corn, rye, and barley, has been offset to some extent by a reduction in corn crop estimates, due to unsatisfactory weather conditions. Buying power on the farm has revived, as reflected in increased sales and shipments of farm implements and other "capital" equipment, although some of this may represent necessitous replacement. Urban business conditions show little change. Manufacturing alone has maintained the volume of last month or last year, after allowance for seasonal factors. Prospective building is much below last year at this time. Financial conditions are particularly favorable for business expansion as interest rates have shown a declining tendency and loans and deposits have increased.

TOPICAL REVIEWS

Wheat improved and corn declined in September forecasts. Continued favorable weather during the month of August for the development of small grains resulted in further increases in the forecasted production for each of the four complete states in the Ninth Federal Reserve District, according to the September 1 report of the Agricultural Statisticians in each state. The increase in all spring wheat between August 1 and September 1 was 21,176,000 bushels, which is nearly 2,000,000 bushels more than the total estimated Minnesota crop in 1923. Most of this increase occurred in North Dakota, where the forecasted yield per acre was increased from 12.3 bushels to 14.3 bushels during August. The Minnesota forecast of acre yield was the highest of our four states, 17.2 bushels, with an extremely favorable condition percentage of 98. Montana reported the lowest condition percentage, 75, on account of damage to the crop earlier in the season from hot weather and insufficient moisture. The forecasted acre yield was 15.0 bushels. The quality was reported very good, especially in the eastern section, where the yields were heaviest.

Separate yield and production figures for bread and durum wheat will be given in the next month's report.

The corn production forecast on September 1 for our four states showed a decline of nearly 8,000,000 bushels, to 261,105,000 bushels, or 76,500,000 bushels less than 1923; but the four state total is still nearly 5,000,000 bushels greater than the previous five year average. The September 1 forecast for the whole United States, however, was only 2,500,000,000 bushels, 500,000,000 bushels less than last year and 386,000,000 bushels less than the previous five year average. The condition of the corn crop on September 1 ranged from 61 per cent in Minnesota to 67 per cent in Montana. South Dakota reported a condition of 65 per cent. A special telegraphic investigation made by this office as of September 10 indicated a slightly lowered condition by that date, due to frosts and cool weather, an average for the heavy corn producing sections of only 60 per cent. The increased acreage planted to corn this year, when compared with last year, or with the previous five year average, means a considerable reduction in the acre yield, but it also means a large increase in the production of ensilage and fodder corn, which accounts for a large portion of the acreage in this district each year. The cold nights and rainy weather during August retarded corn development in Minnesota and North and South Dakota. The cool periods held it back to some extent in Montana, but hot dry weather in some instances did even more damage. Many fields throughout the district have already been frosted, but a large proportion of this corn has been put into silos. Much corn was reported as being in the dent as early as the middle of last month, which means that there will be grain corn produced, but the quality is problematical. It is doubtful if much corn will make high enough quality to qualify as good seed corn. All fields which do mature should be gone over and all corn good enough for seed should be saved. Otherwise an acute seed corn shortage might develop next spring, as the carry-over of seed from 1923 is not reported to be sufficient for another year's planting.

The fall grain movement began in this district during August, but as usual it had not yet reached its full proportions. In fact, while receipts of wheat at Minneapolis and Duluth-Superior increased one-half over July, they were not up to the level of August last year, in spite of the larger crop this year. The late season undoubtedly accounts for the tardy movement of the crop, for there is no evidence of dissatisfaction with present wheat prices. Oats and corn arrived in much greater quantities in August than in July and in larger quantities than a year ago. There were seasonal increases also in receipts of barley and rye, but the volume of these grains was smaller than in August last year. The flax movement has not been as large as many observers expected, in view of the great increase in production over last year. Receipts of flax at northwestern terminals were 23 per cent lower in August than in July and were only one-fourth of the volume received in August last year from the smaller crop.

Stocks of all grains at Minneapolis and Duluth-Superior increased during August, with the exception of wheat and flax, and stocks of oats and corn were larger than last year. At the end of August, stocks of rye were the largest of any of the grains, amounting to nearly 7 million bushels, with wheat second and oats third.

Grain prices showed mixed tendencies during the month of August. Our medians computed for August were lower than in July in the case of wheat and oats, higher for corn, barley and rye, and practically unchanged for flax. The declines in wheat and oats were due to reports of a larger crop of these grains than had been reported earlier in the year and to the increase in receipts at the terminal markets, especially in the case of oats. The median price of number three yellow corn in August reached \$1.14, owing to the pressing need in some quarters for immediate supplies before the new crop is ready for market. Fortunately for the hog producer, the price of hogs has risen simultaneously with the price

of corn, and the ratio of profitableness, on the basis of corn and hog prices, increased slightly during the month. If there is a short corn crop, the ratio between the price of corn and the price of hogs will not tell the whole story of profit or loss to the livestock producer, for other feeds will be used more liberally as price relationships between corn and other grains and feedstuffs become more unbalanced.

Livestock receipts at South St. Paul showed seasonal increases between July and August in the case of cattle and sheep, and seasonal declines for calves and hogs. Receipts of hogs and sheep were larger, and cattle and calf receipts were smaller than in August last year. The volume of calves and hogs moving to market was not far above the 10-year average, while sheep and cattle receipts were below the 10-year average.

As August marks the beginning of the fall feeder movement to the country, it is interesting to note that the movement of feeder cattle and calves during the month was the smallest of all the post-war years, while shipments of feeder hogs in August were the largest in any corresponding month since the war, with the exception of August, 1922, and shipments of feeder sheep were larger than last year, but not as large as August shipments in the other post-war years.

Livestock prices made a notable advance during August in practically every class. Our weighted index of livestock prices at South St. Paul, corrected for seasonal changes, reached 86.29 in August, as compared with 74.48 in July and 69.26 in March, 1924, which was the lowest point in the recent price decline. The August figure has not been equalled since December, 1922, when our index was 90.81. A large share of the increase in the index was caused by a rise in the median price of hogs from \$7.10 per hundredweight to \$9.25 between July and August. This increase is the more remarkable as there is

SEPTEMBER 1 PRODUCTION FORECASTS BY STATES WITH COMPARISONS
(In bushels, 000's omitted)

	Spring Wheat			Oats			Corn		
	Forecast	Forecast	Estimate	Forecast	Forecast	Estimate	Forecast	Forecast	Estimate
Minnesota	24,803	8-1-24	1923	9-1-24	8-1-24	1923	9-1-24	8-1-24	1923
Montana	41,055	22,709	19,281	173,498	164,412	153,254	118,900	130,442	154,692
North Dakota	106,037	39,002	39,940	24,710	23,256	22,209	10,732	12,044	9,490
South Dakota	34,410	91,612	58,660	88,105	76,751	54,924	25,006	26,117	28,207
		31,806	25,982	89,084	83,809	78,336	106,467	111,744	145,176
Four States	206,305	185,129	143,863	375,397	348,228	308,723	261,105	280,347	337,565
Ninth District	206,703	185,494	144,160	402,911	376,520	333,084	273,495	292,864	351,852
United States	247,404	224,767	213,401	1,486,412	1,439,041	1,299,823	2,512,888	2,576,441	3,046,387
	Flax			Potatoes			Barley		
	Forecast	Forecast	Estimate	Forecast	Forecast	Estimate	Forecast	Forecast	Estimate
Minnesota	6,745	9-1-24	1923	9-1-24	8-1-24	1923	9-1-24	8-1-24	1923
Montana	2,033	6,745	5,270	42,135	39,196	38,304	27,581	26,948	24,050
North Dakota	15,512	1,913	902	4,329	4,077	3,960	2,630	2,587	2,838
South Dakota	3,941	15,054	8,424	14,956	13,843	13,114	37,719	33,033	23,818
		3,834	2,414	7,051	6,557	7,744	23,912	21,990	20,025
Four States	28,231	27,546	17,010	68,471	63,673	63,122	91,842	84,558	70,731
United States	29,029	28,401	17,429	412,761	398,821	412,392	194,455	184,171	198,185

normally no great change in price during August. Veal calves showed an increase of \$1.25 per hundredweight, although for this class also the seasonal movement is slight. The price of lambs increased 25 cents, although the normal movement during August is downward. Butcher steers remained unchanged in price, which amounted to a gain for the producer, for the price of steers usually shows a 10 per cent decline between July and August. The only classes which did not advance were butcher cows, which declined 50 cents per hundredweight, and feeder steers, which showed an unchanged price.

Buying power in the farming sections of this territory is giving small but unmistakable signs of a revival. It is too early, however, to state whether the recovery will be moderate or pronounced. Farm implement sales reported to this office were 50 per cent larger in August than a year ago and slightly larger than in July. Carloads of agricultural implements and vehicles forwarded from Minneapolis to the trade territory served by this center, amounted to 459 cars in August, as compared with 268 in July, and 404 in August last year. Building material shipments from Minneapolis totaled 291 cars in August, as compared with 268 in July, and 294 in August a year ago. There were 91 cars of furniture shipped from Minneapolis in August, as compared with 26 carloads in July, and 57 in August last year. In fact, August furniture shipments reached the largest single month's total since April, 1920. Shipments of automobiles, trucks, and tires from Minneapolis increased from 744 carloads in July to 837 in August, although ordinarily there is a decline between these two months. For this group, however, the shipments were not as large as shipments last year. Retail lumber sales held the gains which they made in July and were about as large as in August last year.

Retail trade in the cities of this district increased only 10 per cent between July and August, although customarily the increase is nearly 16 per cent, and August sales this year were 8 per cent smaller than a year ago. There was a moderate increase in stocks of merchandise in retailers' hands during August, but the increase was not as great as usually occurs at the opening of the fall season, indicating that retailers are continuing their policy of curtailing stocks to improve their turn-over. However, there is evidence in their volume of outstanding orders that they are not planning a material reduction from the present level of stocks in the near future. Merchandise stocks were 4 per cent smaller at the end of August than a year ago.

Wholesale trade in general was not in as large volume during August as a year ago. Sales of shoes, particularly, were down 35 per cent from last year's volume, and there were 10 per cent reductions in sales of hardware and groceries. Dry goods sales were in about the same volume in August of the two years. Between July and August, there were seasonal increases in sales of dry goods and shoes, but

sales of groceries and hardware were in about the same volume during the two months.

The volume of business in this district, as measured by debits to individual accounts at banks in important cities, declined 6 per cent between July and August, but was in about the same volume as in August last year. The reduction in volume of payments between July and August was entirely contrary to the seasonal movement and may probably be attributed to the late arrival of the 1924 crops and a smaller increase in retail trade than normal.

Business failures in this district in August were only 57 in number, according to the figures of R. G. Dun and Company. This is the smallest monthly total since September, 1922. The liabilities involved were not quite 1 million dollars, the smallest total since September, 1923.

Manufacturing activity in this district has not shown any material change from July. Lumber production and country flour mill output were in good volume, and the Minneapolis flour and linseed industries were still greatly depressed. Lumber shipments from northwestern points increased 20 per cent in August over July, which is a seasonal occurrence, and shipments were equal to last year's volume in August. The cut of lumber, however, while equal to the July output, was 15 per cent smaller than the cut in August a year ago, while stocks at the end of August were larger than at the end of July and larger than last year.

Flour production and shipments from Minneapolis showed a seasonal rise between July and August, but August production was 15 per cent smaller than the volume in the same month last year, and in fact the smallest August volume in 15 years. There was a similar seasonal rise in country mill flour production between July and August and the August production at outside mills in this district was 12 per cent larger than a year ago.

Shipments of linseed oil from Minneapolis during August were the smallest since our record began in 1910 and less than half as large as in August a year ago. Oil cake shipments also were smaller in August than in July and 40 per cent smaller than in August last year.

Employment at Minneapolis improved during August after the extremely slack months of June and July. The United States Department of Labor reports that the country has drawn heavily on the Minneapolis supply of common labor to harvest the bumper crop.

Mining output in this district during August was slightly smaller than the volume in July, with the greatest declines occurring in iron ore and gold. All minerals were mined in smaller volume than in August last year, with the exception of copper, for which the volume was practically the same. The greatest reductions from August a year ago were in the out-

put of iron ore and coal, of which the volume was nearly one-third less.

An adequate supply of hard coal is assured for the Northwest if the present volume of receipts at Duluth-Superior continues. Receipts of hard coal were one-third larger in August than in July and nearly twice as large as in August last year. Receipts for the shipping season of 1924, as far as the end of August, were slightly larger than in 1923, and larger than the five year average for the same period. Soft coal receipts, on the other hand, were one-fourth lower in August than in the same month last year and did not show any increase over July. For the shipping season to August 31, receipts of soft coal were 42 per cent below last year's receipts.

Building permits in 18 cities of this district were 5 per cent smaller in valuation in August than in July, although the number of permits granted was nearly the same in the two months. As compared with last year, the valuation of permits granted was 44 per cent less and the number 21 per cent less. St. Paul permits in August last year were 5 million dollars greater than in the August just past.

The housing reports from Minneapolis continue to show an expanding volume of dwellings for rent. The curve of such advertisements, corrected for seasonal changes, was higher in August than in any month since our record began in 1920.

The volume of commercial loans in this district, according to the experience of our selected member banks, showed a pronounced rise during the six weeks ending September 10, coupled with a corresponding increase in demand deposits and time deposits. On September 10, time deposits reached the highest point since our record began. Borrowings from this Federal Reserve Bank were reduced. Interest rates at commercial banks in Minneapolis showed a declining tendency during the month ending September 15.

During August, reports from our 25 selected member banks showed an increase of more than 6 million dollars in unsecured commercial loans, and a decline of more than one-half million in collateral loans. Security holdings were increased nearly 3 millions, and reserves were built up nearly 1 million dollars. At the same time, demand and time deposits increased 4 million dollars, and borrowings

from this bank were paid off to the extent of 1 million dollars.

During the first two weeks of September, there was an increase of 14 millions in loans at these banks, accompanied by an increase in demand deposits of 17 millions. Smaller increases occurred in reserves and time deposits, while security holdings and borrowings from this bank declined. Of the increase in loans, 10 millions were in the commercial or "all other" group, and 4 millions in loans secured by United States Government and other securities.

Interest rates at commercial banks in Minneapolis reached the lowest point in our post-war record on September 15. The weighted average of important rates computed by this office was 4.76 per cent on September 15, as compared with 5.11 on August 15.

Commercial paper outstanding in this territory increased 7 per cent during August, although in three of the preceding four years, the volume declined during August. The volume outstanding was 15 per cent larger than a year ago.

Savings deposits at Minneapolis, St. Paul and Duluth-Superior were unchanged during August, which is a satisfactory showing, since there are usually more withdrawals than deposits at this time of year. The volume of savings was 2 per cent larger than a year ago.

This Federal Reserve Bank experienced a moderate reduction of $1\frac{1}{2}$ millions in loans to all member banks during August, and purchased an equal amount of United States securities. Federal reserve notes in circulation declined nearly 2 millions, which resulted in an increase of 1 million dollars in member bank deposits and a decline of 1 million dollars in the cash reserves of this bank.

During the three weeks ending September 17, there was a further reduction of more than $1\frac{3}{4}$ millions in loans to member banks, accompanied by increases of $1\frac{1}{2}$ millions in purchased bill holdings and more than 1 million dollars in United States security holdings. Federal Reserve notes in circulation increased $1\frac{1}{3}$ millions in response to the increased activity of trade, which is a seasonal event at this time of year. Member bank deposits were reduced three-fourths of a million dollars, and cash reserves increased one-third of a million.