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 Assistant Federal Reserve Agent | OLIVER S. POWELL Statistician

Vol. IV (Serial No. 149) Minneapolis, Minnesota June 27, 1927

DISTRICT SUMMARY FOR THE MONTH

The May volume of business in this district was smaller than the volume in May last year, both in dollar value, as measured by individual debits, and in physical quantity, as measured by freight carloadings, with ore excluded. Individual debits, or check payments through banks in seventeen cities, were 3 per cent smaller in May than a year ago, with declines reported from every city except Billings, Helena, LaCrosse, Minneapolis, Red Wing and Winona. Carloadings during May, excluding ore, were 1 per cent smaller than in the corresponding period last year. Carloadings of ore, owing to the early opening of the season, were 11 per cent larger during May than a year ago. Department store sales in the cities, lumber sales, wholesale trade in hardware and shoes, livestock and grain marketings and shipments of forest products and flour declined, while merchandise carloadings, linseed products shipments and wholesale grocery sales increased.

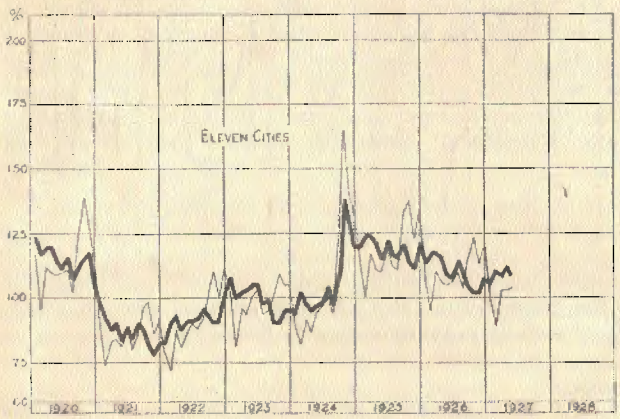
Individual debits at the seventeen cities were 1 per cent smaller in the first two weeks of June than in the corresponding period last year, although Billings, Duluth, Fargo, LaCrosse, Red Wing and Winona reported increases.

As compared with April, the volume of business in May was the same in dollar amount. Grain marketings and lumber sales increased, while livestock receipts, shipments of flour and linseed products, retail trade in the cities and wholesale trade declined.

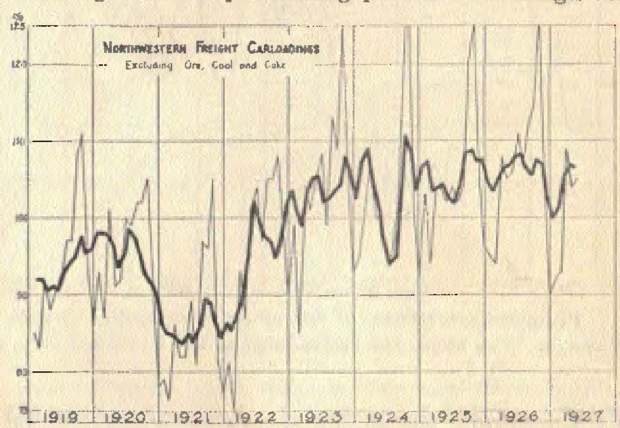
Building permits and contracts in May, which are a factor in future business, were in smaller volume than in May last year. The demand for dwellings to rent in Minneapolis, based on newspaper advertising, was smaller in April and May, after eliminating seasonal changes, than in any other bi-monthly period since our record began in 1919. On the other hand, the number of dwellings for rent in Minneapolis has been larger than in any previous spring in the years for which we have records, although the seasonal increase in the last two months has not been as great as usual.

In the country sections of this district, business trends continued to be mixed. Debits to individual accounts reported from the wheat belt cities and Sioux Falls were smaller in May than in the same month last year, while the Mississippi Valley group of cities reported a larger volume. Lumber sales in May at country yards were 13 per cent smaller than in May last year and showed a much smaller increase over April than is customary.

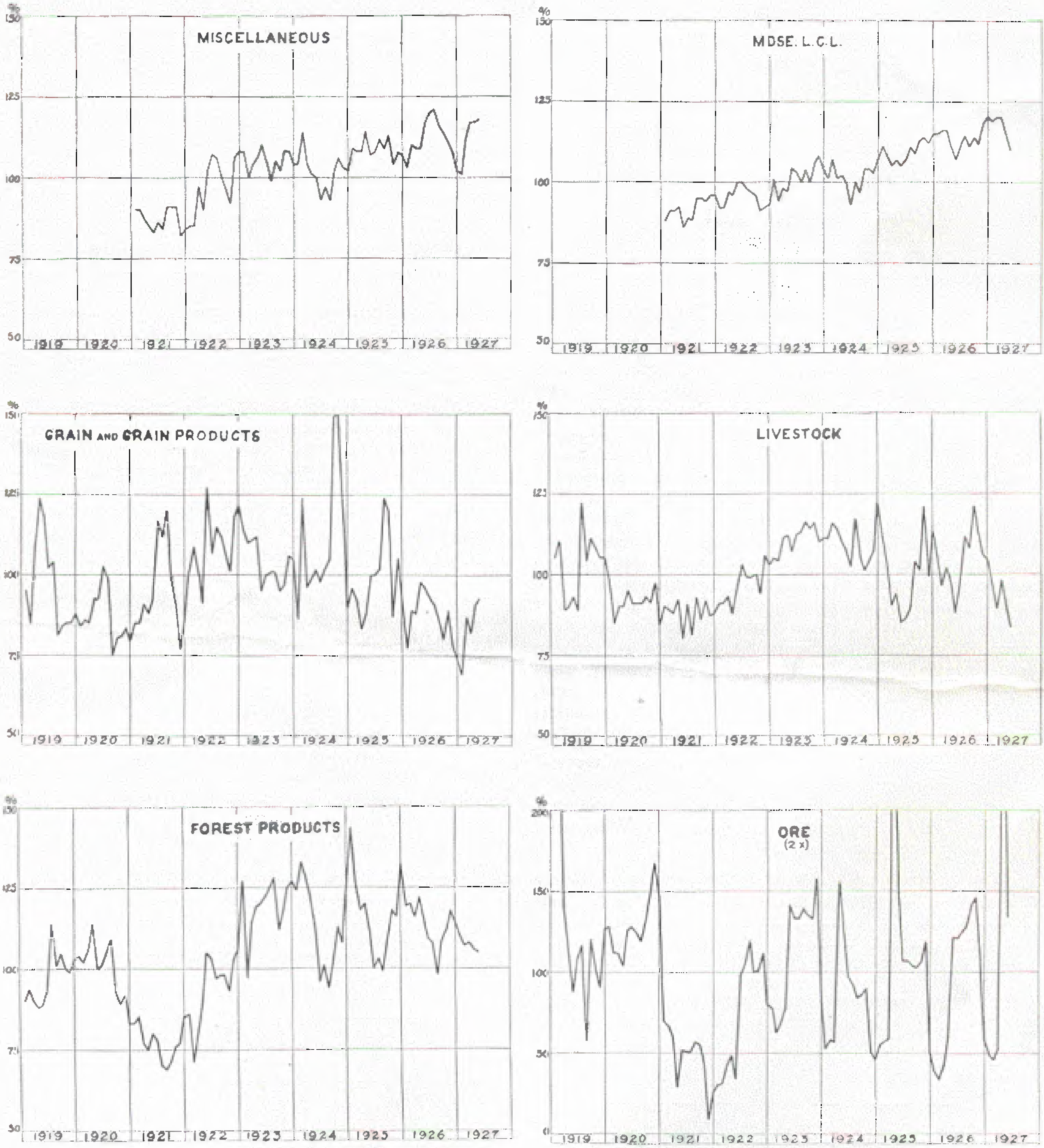
The small yield of grains last year continued to affect agricultural purchasing power. Although all



Debits to Individual Accounts at Banks in Eleven Cities in the Ninth Federal Reserve District. Heavy curve represents figures adjusted to eliminate seasonal changes; light curve represents unadjusted figures as percentages of the average month.

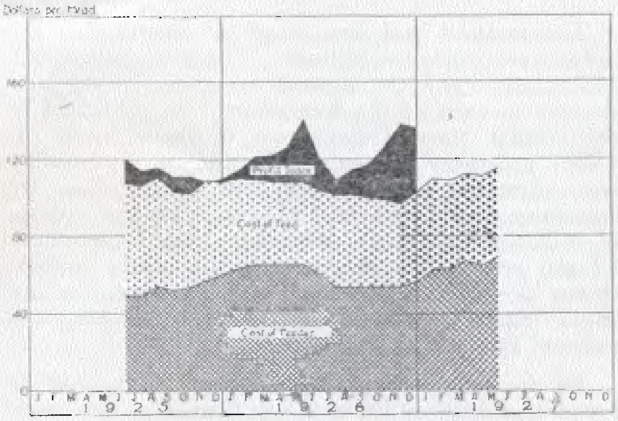


Carloadings of All Commodities in the Northwestern District, Except Ore, Coal and Coke. The heavy curve represents bi-monthly moving averages of figures adjusted to eliminate seasonal changes; the light curve represents unadjusted figures as percentages of the average month.



Freight Carloadings of Important Commodity Groups in the Northwestern District, with seasonal changes eliminated. The curve for carloadings of ore is plotted on a reduced scale on account of its wide fluctuations.

of the grains, except bread wheat, sold at higher prices during May than a year ago, the value of wheat, rye, flax and potatoes received at terminal markets during May from our four states was 2 million dollars less than the value of marketings in May a year ago—a decrease of 14 per cent. Butcher steers reached the highest price in May since June, 1920, and large profits were realized from last winter's feeding operations. Hog prices showed a further decline and were four dollars per hundredweight lower than last year. The price of eggs was ten cents a dozen lower than a year ago, due to marketings a third larger than last year and the fact that storage facilities in Minneapolis are largely utilized.



Steer Feeding Costs and Profits in the Northwest.

TOPICAL REVIEWS

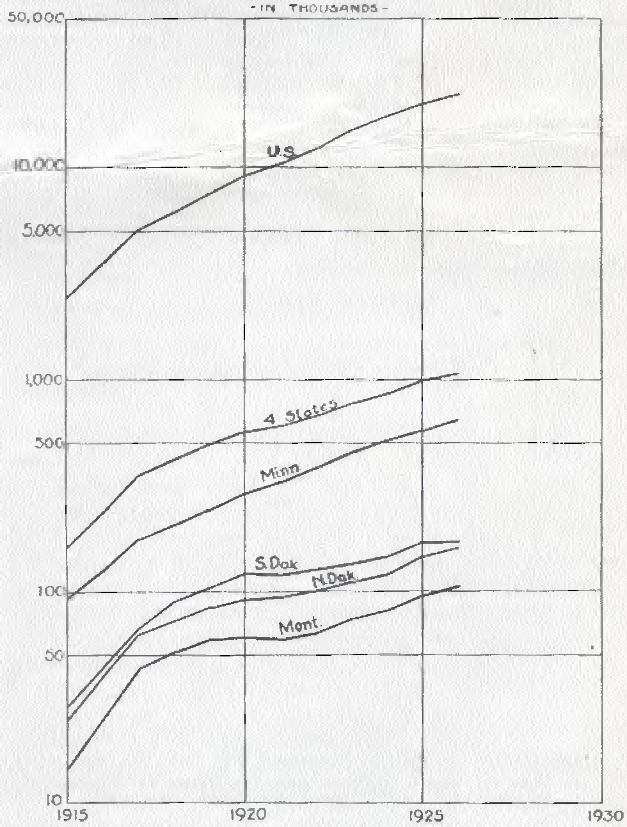
Changes in the banking situation reflected chiefly the collection and deposit of taxes and United States government financing. State, county and municipal deposits held by the twenty-four city member banks, which report weekly to this office, increased 7 million dollars between May 25 and June 1. Checks and other uncollected items held by these banks were 9 million dollars higher on June 1 than on May 25. On June 15, these banks received nearly 2½ millions of United States government deposits.

In addition to these increases, deposits "due to banks" increased 4 millions and other demand deposits increased 8 million dollars during the last five weeks. Total demand deposits increased 21 million dollars and time deposits remained almost stationary. On the asset side of the balance sheets of these banks, balances "due from banks" increased 4 millions in the five week period, uncollected items increased 5 millions and commercial loans, the "all other" classification, increased 8 millions, while security holdings and loans secured by stocks and bonds remained practically unchanged.

Country banks in this district have passed the peak of spring farm activity. Loans by this Federal reserve bank to country member banks reached the high point for the year on May 25, and have declined slightly since that time. June 15 marks the approximate end of this minor decline in the borrowings of country banks, which is followed by an increase until the latter part of August. Reserve balances carried with this bank by country member banks and the correspondent balances held by the twenty-four reporting city banks reached a low point on May 25, reflecting the withdrawal of deposits of country banks. Since that date there have been moderate increases in both of these indexes.

Motor vehicle registrations in Minnesota, North Dakota, South Dakota and Montana during 1926 were 8 per cent more numerous than registrations in 1925, as compared with the United States increase of 10 per cent according to the records of the National Automobile Chamber of Commerce. In Minnesota, the rate of increase in most years from 1915 to 1926 has been nearly as great as the rate of increase in the United States, and the same held true for North Dakota, South Dakota and Montana from 1915 to 1919. The growth in motor vehicle ownership in these three states was greatly retarded between 1919 and 1924. North Dakota and Montana resumed the national rate of growth in 1925 and 1926, but the growth of registrations in South Dakota was checked in 1926 by the crop failure. The rates of increase in motor vehicle registration for the United States and for the four states are presented in the accompanying chart, which is constructed on a ratio scale that makes possible a direct comparison of the rate of growth from year to year, for all of the series.

MOTOR VEHICLE REGISTRATIONS
- IN THOUSANDS -



Motor Vehicle Registrations in Minnesota, North Dakota, South Dakota and Montana and for the Entire United States, 1915-1926.

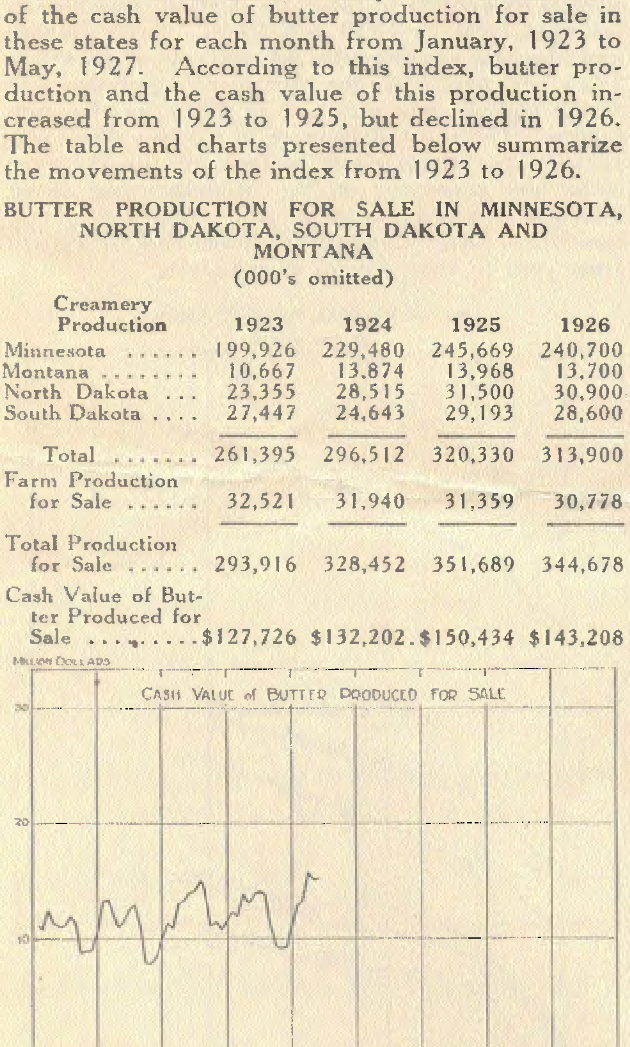
Motor vehicles on farms have not increased as rapidly in these four states as in the cities and towns. This is more true of passenger cars than of trucks. Following the favorable financial returns from 1924 crops, the number of trucks on farms in these states doubled in 1925. They increased only 3 per cent in 1926, as the result of the poorer returns from the 1925 crop.

Butter production for sale in Minnesota, North Dakota, South Dakota and Montana during the first five months of 1927 was 3 per cent smaller in quantity, but 11 per cent larger in cash value, than the butter production for sale in these states during the first five months of 1926. This conclusion is drawn from an index recently made in this office of the cash value of butter production for sale in these states for each month from January, 1923 to May, 1927. According to this index, butter production and the cash value of this production increased from 1923 to 1925, but declined in 1926. The table and charts presented below summarize the movements of the index from 1923 to 1926.

BUTTER PRODUCTION FOR SALE IN MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA AND MONTANA

(000's omitted)

Creamery Production	1923	1924	1925	1926
Minnesota	199,926	229,480	245,669	240,700
Montana	10,667	13,874	13,968	13,700
North Dakota ...	23,355	28,515	31,500	30,900
South Dakota	27,447	24,643	29,193	28,600
Total	261,395	296,512	320,330	313,900
Farm Production for Sale	32,521	31,940	31,359	30,778
Total Production for Sale	293,916	328,452	351,689	344,678
Cash Value of Butter Produced for Sale	$127,726	$132,202	$150,434	$143,208



Cash Value of Butter Produced for Sale in Minnesota, North Dakota, South Dakota and Montana at Minneapolis Wholesale Prices.

The sale of butter and butterfat is an important item in the farmers' cash income in the northwest, but until the present time there has never been any reliable estimate of this income, available promptly enough to meet the requirements of bankers and business men. To fill this gap in the current records of farm income, this office has constructed an index in such a way that each month's production can be estimated from data available on the tenth of the following month. Minor adjustments will be made as further information, which is published two or three months later, becomes available.

The method and data used in constructing this index are briefly as follows. For the years 1923, 1924 and 1925 the annual creamery butter production in each of the four states was published by the United States Department of Agriculture. In 1926, creamery butter production in these states was estimated to be 2 per cent smaller than the creamery production in 1925, because the volume of milk production in Minnesota, which produced 77 per cent of the creamery butter made in these states in 1925, experienced a 2 per cent decline, according to the records of the United States Agricultural Statistician for Minnesota.

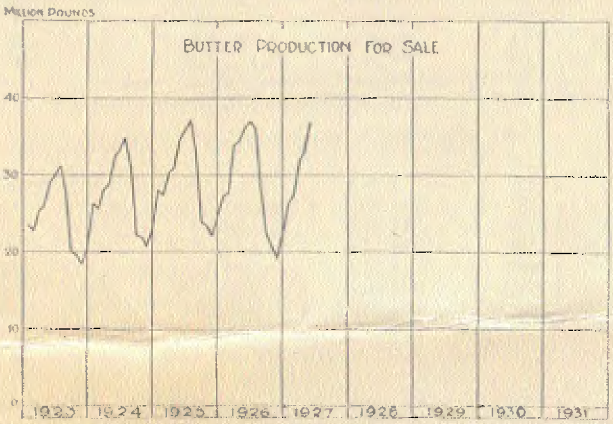
To the creamery production must be added the butter production for sale by farmers. The total butter production on farms in these four states for consumption on these farms and for sale combined, amounted to 50,846,000 pounds in 1919 and 47,940,000 pounds in 1924. Farm butter production is, therefore, decreasing at the rate of 581,000 pounds per year, a result of the increase in the number of creameries. The butter consumption by farm families in these states is estimated at 32,000,000 pounds per year, assuming that butter consumption by the average person on a farm was approximately the same as the butter consumption per capita for the United States. However, only one-half of the farmers in these states make their own butter, according to our estimate. Consequently, only 16,000,000 pounds of butter made on farms is withheld for consumption and the remainder of the butter made on farms, amounting to more than 30,000,000 pounds in each of the last four years, is produced for sale.

To distribute the butter production for sale over the months of the years from 1923 to 1925, inclusive, it was necessary to assume that the fluctuations in butter production were the same as the 1925 changes in milk production in Minnesota. This is probably very near the truth, because during this period butter receipts from these states at the five largest butter markets in the United States showed very similar changes.

Beginning with December, 1925, the United States Department of Agriculture began to publish the monthly creamery butter production for the more important states, including Minnesota, North Dakota and South Dakota. These figures are issued about two months after the close of the month covered by the report. This record from December, 1925 to March, 1927 is complete, except for the period from April, 1926 to October, 1926. To estimate the 1926 butter production by months, the production from January to March and for November and December was assumed to be the same percentage of annual production as the monthly creamery production in the three states mentioned above was of the annual creamery production in these states, according to our estimate. For the remaining seven months of 1926, butter production for sale was prorated as nearly as possible according to the 1926 changes in milk production for Minnesota.

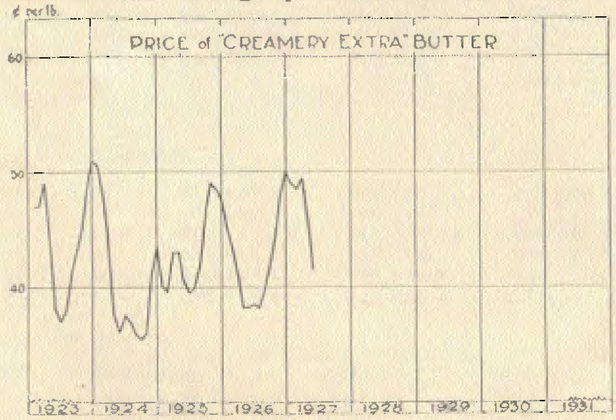
For 1927, the butter production from January to March was assumed to bear the same relation to 1926 production in these months that was shown for the creamery production published for Minnesota, North Dakota and South Dakota. For April and May the relationship between 1927 and 1926 in butter production was assumed to be the relationship reported for milk production in Minnesota.

The chart below shows the monthly fluctuations in butter production for sale from 1923 to 1927. Production increased during the first three years and declined in 1926, but has shown a very rapid increase in 1927, exceeding the increase in former years.



Butter Production for Sale in Minnesota, North Dakota, South Dakota and Montana, Monthly 1923-1927.

Butter prices used in computing the index of cash value were Minneapolis buying rates at wholesale for "creamery extra" butter. Quotations for the last day of the current month and the last day of the preceding month were averaged to determine the price of butter during each month. Fluctuations in these average quotations are shown in the chart below. It is apparent that butter prices at Minneapolis for the last six months have been considerably above prices a year ago.



Minneapolis Wholesale Buying Prices of "Creamery Extra" Butter, Monthly 1923-1927. Quotations for the last day of each month and the last day of the preceding month were averaged to determine the prevailing price for the month.

Spring and winter grains and hay and pastures in the Ninth Federal Reserve District were above the ten year average condition on June 1. Both winter wheat and rye production forecasts were larger than a month ago. The winter wheat forecast of 15,227,000 bushels for Minnesota, South Dakota and Montana was 51 per cent larger than the 1926 crop. If this production forecast is realized, the crop will be the second largest in the last ten years, being exceeded only by the bumper crop of 1924, when these states produced 15,729,000 bushels. The increase between May 1 and June 1 forecasts for winter wheat in the Ninth Federal Reserve District is of particular interest in view of the decline in total United States winter wheat production between the same dates. The United States production forecast as of June 1 was 537,000,000 bushels, more than 50,000,000 bushels less than that of May 1 and nearly 100,000,000 bushels less than were actually harvested last year.

JUNE 1 CROP FORECASTS OF THE UNITED STATES DEPARTMENT OF AGRICULTURE, WITH COMPARISONS

(Bushels; 000's omitted)

	Production Forecasts 6-1-27	Production Forecasts 5-1-27	Harvested 1926
WINTER WHEAT			
Minnesota	3,841	3,702	3,272
Montana	9,752	8,916	6,272
South Dakota	1,634	1,571	525
Three States	15,227	14,189	10,069
United States	537,001	593,940	626,929
WINTER RYE			
Minnesota	5,903	5,643	4,954
Montana	1,763	1,632	1,284
North Dakota	15,588	14,734	9,287
South Dakota	2,093	2,030	546
Four States	25,347	24,039	16,071
United States	48,635	47,861	40,024

The rye crop forecast was for a 1927 crop 58 per cent greater than last year's crop. Rye acreage is estimated only 6 per cent larger than in 1926.

During the first three weeks of June, the weather was generally favorable. Winds, higher temperatures and less rainfall have all helped to dispose of the excess moisture present at the end of May. Some spring wheat was seeded as late as the middle of the month and some flax was scheduled for planting the third week in June. In some sections, excessive rainfall continued to delay seeding.

Some reduction in total acreage is anticipated, but it will probably be less than the amount estimated a month ago, owing to the many shifts in planting plans. Sections that had extensive areas still too wet to plant on June 15 reported that wet fields would be planted when dry enough, but the kind of crop would depend on the time when planting became possible. Flax, late potatoes, rust resistant durum and millet will probably show an increase over last year, as the bulk of the late plantings consist of those four crops.

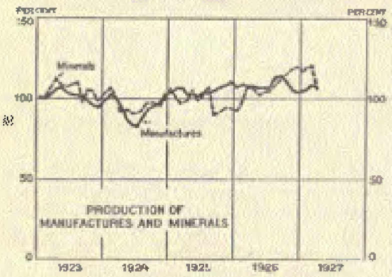
COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT

	Unit	May 1927	April 1927	May 1926	% May 1927 of April 1927	% May 1927 of May 1926
Debits to Individual Accounts—						
17 cities		$725,850,000	$724,019,000	$747,159,000	100	97
Minneapolis		371,295,000	351,434,000	366,476,000	106	101
St. Paul		153,207,000	169,538,000	155,183,000	90	99
Duluth-Superior		87,899,000	81,509,000	98,874,000	109	89
8 Wheat Belt Cities		49,161,000	52,859,000	52,830,000	93	93
3 Mississippi Valley Cities		20,924,000	21,067,000	18,748,000	99	112
South St. Paul		25,597,00	29,687,000	36,169,000	86	71
Sioux Falls		17,767,000	17,925,000	18,889,000	99	94
Carloadings—Northwestern District—						
Total	Cars	653,187	546,924	640,737	119	102
Grains and Grain Products	Cars	37,104	35,347	38,217	105	97
Livestock	Cars	29,870	30,575	31,595	98	95
Coal	Cars	18,115	18,856	17,298	96	105
Coke	Cars	7,255	6,514	6,923	111	105
Forest Products	Cars	77,874	81,907	85,938	95	91
Ore	Cars	157,118	54,702	142,069	287	111
Merchandise—L. C. L	Cars	144,577	148,566	140,342	97	103
Miscellaneous	Cars	181,274	170,457	178,355	106	102
Building Permits—						
Number—18 Cities		2,166	2,314	2,679	94	81
Value—18 Cities		$ 5,894,600	$ 5,794,000	$ 6,332,200	102	93
Minneapolis		3,287,800	2,140,800	2,678,000	154	123
St. Paul		1,021,200	1,609,100	1,657,700	63	62
Duluth-Superior		318,000	554,800	825,300	57	39
4 Wheat Belt Cities		475,700	700,000	536,400	68	89
6 Mixed Farming Cities		730,400	653,700	500,800	112	146
4 Mining Cities		61,500	135,600	134,000	45	46
Building Contracts Awarded—						
Total		8,647,300	9,268,900	10,959,100	93	79
Residential		3,964,200	3,175,900	4,432,400	125	89
Commercial and Industrial		876,600	1,625,600	1,776,900	54	49
Public Works and Utilities		1,866,000	1,698,500	2,908,500	110	64
Educational		577,700	2,059,800	727,800	28	79
All other		1,362,800	709,100	1,113,500	192	122
Grain Receipts at Minneapolis and Duluth-Superior—						
Wheat	Bu.	7,801,769	6,479,132	7,957,553	120	98
Corn	Bu.	613,546	269,738	500,867	227	122
Oats	Bu.	743,735	581,222	4,020,303	128	18
Barley	Bu.	946,214	801,103	1,292,631	118	73
Rye	Bu.	2,969,843	1,169,896	1,060,252	254	280
Flax	Bu.	483,635	366,655	643,863	132	75
Grain Stocks at End of Month at Minneapolis and Duluth-Superior—						
Wheat	Bu.	11,286,551	14,875,915	7,943,318	76	142
Corn	Bu.	142,193	372,650	245,530	38	58
Oats	Bu.	9,578,738	15,213,618	26,712,309	63	36
Barley	Bu.	349,516	891,541	2,545,513	39	14
Rye	Bu.	1,015,811	4,413,739	7,443,672	23	14
Flax	Bu.	1,441,492	1,860,217	1,221,388	77	118
Median Cash Grain Prices—						
Wheat—No. 1 Dark Northern	Bu.	$1.52¼	$1.40¾	$1.64½	108	93
Durum—No. 2 Amber	Bu.	1.60½	1.53	1.46	105*	110
Corn—No. 3 Yellow	Bu.	.92⅛	.72⅝	.67½	125	136
Oats—No. 3 White	Bu.	.49	.43¾	.38	112	129
Barley—No. 3	Bu.	.88	.76½	.63	115	140
Rye—No. 2	Bu.	1.07⅝	.99⅛	.82⅝	109	130
Flax—No. 1	Bu.	2.33½	2.23½	2.30	104	102

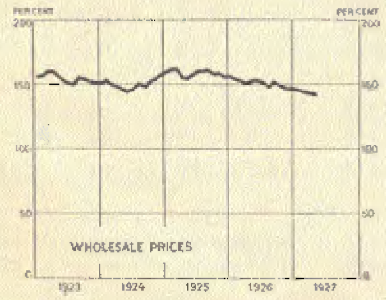
COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT (Continued)

	Unit	May 1927	April 1927	May 1926	% May 1927 of April 1927	% May 1927 of May 1926
Livestock Receipts at South St. Paul—						
Cattle	Head	48,839	51,412	69,205	95	71
Calves	Head	58,942	58,908	69,264	100	85
Hogs	Head	205,291	223,605	221,076	92	93
Sheep	Head	6,987	9,198	6,986	76	100
Median Livestock Prices at South St. Paul—						
Butcher Cows	Cwt.	$7.25	$7.00	$6.25	104	116
Butcher Steers	Cwt.	10.00	9.75	8.50	103	118
Prime Butcher Steers	Cwt.	11.35	11.50	9.15	99	124
Stocker & Feeder Steers	Cwt.	7.75	7.25	7.25	107	107
Veal Calves	Cwt.	10.50	9.25	10.00	114	105
Hogs	Cwt.	9.35	10.50	13.50	89	69
Heavy Hogs	Cwt.	8.00	9.00	11.75	89	68
Lambs	Cwt.	14.00	15.50	13.50	90	104
Ewes	Cwt.	7.00	8.75	7.50	80	93
Flour—						
Production—Twin Cities & Duluth-Superior	Bbls.	906,324	954,238	990,070	95	92
Shipments from Minneapolis	Bbls.	855,347	902,196	897,336	95	95
Linseed Products Shipments from Minneapolis	Lbs.	18,751,729	22,004,324	18,256,780	85	103
Retail Sales—						
22 Department Stores		$2,338,870	$2,640,140	$2,604,290	89	90
507 Lumber Yards	Bd. Ft.	15,619,000	13,809,000	17,963,000	113	87
Retail Merchandise Stocks—						
18 Department Stores		$6,567,370	$6,834,900	$7,270,390	96	90
482 Lumber Yards	Bd. Ft.	106,879,000	106,152,000	106,642,000	101	100
Life Insurance Sales (4 States)		$22,465,000	$22,721,000	$26,401,000	99	85
Wholesale Trade—						
Farm Implements—6 firms		256,700	281,730	256,530	91	100
Hardware—12 firms		1,819,660	1,919,580	2,028,620	95	90
Shoes—5 firms		436,140	520,180	516,870	84	84
Groceries—46 firms		4,964,960	4,884,700	4,686,450	102	106
Business Failures—						
Number		88	98	87	90	101
Liabilities		$997,778	$1,220,988	$676,560	82	147
Securities Sold—						
To Banks		2,725,700	3,508,000	3,093,200	78	88
To Insurance Companies		1,624,400	2,974,100	1,80[illegible],300	55	90
To General Public		6,517,400	6,975,100	5,272,[illegible]00	93	124
Ninth Federal Reserve District Member Banks—						
Net Demand Deposits		399,616,000	405,767,000	424,962,000	98	94
Time Deposits		431,485,000	431,238,000	433,102,000	100	100

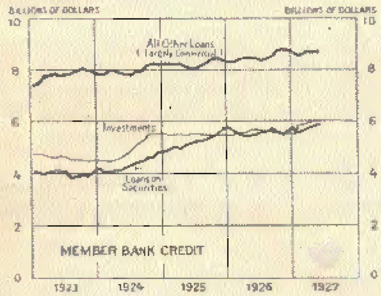
	June 22 1927	May 18 1927	June 23 1926	% June of May	% June 1927 of June 1926
24 City Member Banks—					
Loans	$234,023,000	$227,531,000	$232,071,000	103	101
Securities	122,032,000	122,211,000	115,683,000	100	105
Net Demand Deposits Subject to Reserve	205,155,000	202,827,000	217,474,000	101	94
Time Deposits	127,222,000	126,363,000	110,613,000	101	115
Borrowings at Federal Reserve Bank	2,960,000	4,534,000	160,000	65	1850
Minneapolis Federal Reserve Bank—					
Loans to Member Banks	6,873,663	8,215,332	3,701,201	84	186
Federal Reserve Notes in Circulation	59,373,891	61,926,295	60,807,875	96	98



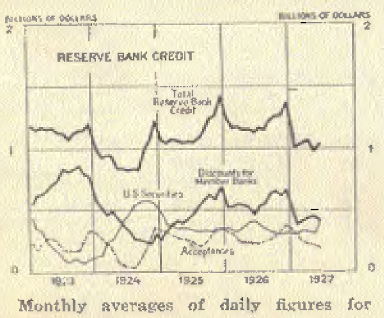
Index numbers of production of manufactures and minerals adjusted for seasonal variations. (1923-25 average—100). Latest figures, May, manufactures 112, minerals 107.



Index of United States Bureau of Labor Statistics (1913—100, base adopted by Bureau). Latest figure, May, 144.1.



Monthly averages of weekly figures for banks in 101 leading cities. Latest figures are averages for first three weekly report dates in June.



Monthly averages of daily figures for 12 Federal Reserve Banks. Latest figures are averages of first 28 days in June.

Summary of National Business Conditions

(Compiled June 24 by Federal Reserve Board)

Industrial production increased in May and continued at a higher level than a year ago, while distribution of commodities was in smaller volume than last year. The general level of wholesale commodity prices has changed but little in the past two months.

PRODUCTION: The output of manufactures increased considerably in May, while the production of minerals was maintained at the April level. Increased activity was shown in cotton and woolen mills, in meat packing and in the production of lumber. The output of iron and steel, non-ferrous metals, automobiles and building materials, after allowance for usual seasonal variations, was maintained at practically the same level as in April. Since the latter part of May, however, production of steel and automobiles has declined. The total value of building contracts awarded continued slightly larger in May and in the first two weeks of June than in the corresponding period of last year. Production of winter wheat was estimated by the Department of Agriculture on the basis of June 1 condition at 537,000,000 bushels, or 90,000,000 bushels less than last year. The indicated rye production was placed at 48,600,000 bushels, which is 20 per cent larger than the crop in 1926.

TRADE: Sales of retail stores in May showed more than the usual seasonal decline from the high April level. Compared with May of last year, department store sales were about 4 per cent smaller, while those of mail order houses were slightly larger. The value of wholesale trade in all leading lines, except groceries and meats, was smaller in May than in April and in the corresponding month of 1926. Inventories of merchandise carried by department stores showed slightly more than the usual seasonal decline in May and at the end of the month were somewhat smaller than a year ago. Stocks of wholesale firms were also smaller than last year. Freight carloadings increased in May by less than the usual seasonal amount, and for the first time in over a year daily average loadings were in smaller volume than in the corresponding month of the preceding year. Loadings of all classes of commodities, except livestock, ore and miscellaneous products were smaller than last year.

PRICES: The general level of wholesale commodity prices has remained practically unchanged since the middle of April. Prices of grains, cotton and hides and skins have advanced, but these advances have been offset in the general index by declines in the prices of livestock, wool, silk, metals and rubber.

BANK CREDIT: The demand for bank credit to finance trade and industry remained at a constant level between the middle of May and the middle of June. The growth in the volume of credit extended by member banks in leading cities during the period was in holdings of securities and in loans on stocks and bonds. Loans to brokers and dealers in securities by reporting member banks in New York City increased rapidly and on June 15 were in larger volume than at any previous time covered by the reports. At the Federal reserve banks, there was little net change in the volume of bills and securities between May 25 and June 22, the fluctuations during the period reflecting largely the effects of Treasury operations. Discounts for member banks toward the end of June were in about the same volume as a month earlier, while there was a decline in the reserve banks' holdings of acceptances and an increase in their portfolio of United States securities.

Conditions in the money market were fairly stable throughout the period, with slight advances in the rates on commercial paper and more recently on bankers' acceptances.