CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

THE 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

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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

Livestock moved to market in good volume during April. The receipts of hogs and calves were above the ten year average and receipts of all kinds of livestock were above a year ago, the greatest increase taking place in hogs. Nevertheless, the price for livestock improved during the month. Grain receipts were normal with the prices unchanged.

Rural buying, when measured by lumber sales at country yards, was 16 percent below April a year ago, although showing the customary percentage of increase over March.

The volume of business in this district, as evidenced by individual debits at banks, declined 5 percent between March and April, which is more than the customary decline for this season of the year. According to the same index, business was 7 percent below the level prevailing in April a year ago. Manufacturing, mining, wholesale trade and commercial paper outstanding were all less than the totals of the preceding month and below a year ago. Department store sales for March and April combined were less than for the same period a year ago.

Banking conditions indicate expansion in the rural sections of this district. Selected member banks in the larger centers report reductions in loans and declining deposits. This Federal Reserve Bank had an increase in loans and a substantial increase in note issue. Interest rates remain unchanged, although normally a decline is shown at this season.

Prospective building activity, as shown by building permits, is below a year ago, although showing the customary seasonal increase for this month. Lumber stocks in the yards of country retailers are 14 percent below a year ago, while stocks of lumber manufacturers are 10 percent above a year ago. Insofar as the Minneapolis housing conditions may provide a reliable guide to the general situation, it appears that the shortage of dwellings due to war causes has been fully met.

Employment conditions, when measured by the relative position of "situations wanted" and "help wanted" advertisements, indicate that employers are in a more favorable bargaining position now than at any time during the last four years or more. However, the situation in April was slightly more favorable to the employee than in March, when allowance is made for seasonal trends.

TOPICAL REVIEWS

Receipts of grain at Minneapolis and Duluth-Superior declined seasonably between March and April the decline being especially pronounced in corn. As compared with April a year ago, corn and oats receipts were larger, receipts of barley were about the same and the other grains showed smaller receipts.

Stocks of grain in terminal elevators at Minneapolis and Duluth-Superior were considerably smaller at the end of April than a month previous, with the exception of corn and rye, which did not show any great change from the large volume in store last month. As compared with last year at this time, stocks of corn and flax were very much larger, stocks of rye were slightly larger and the other grains showed much smaller stocks.

The movement of livestock to the South St. Paul market in April showed little of significance, other than has been evident for some months past. The movement of hogs and calves continued to be much above normal, cattle receipts were about at the ten year average and sheep receipts were slightly below this average. There was a seasonal increase between March and April in receipts of calves and an increase in cattle receipts, which was contrary to

the normal movement, but lacked significance, owing to the small volume marketed. Receipts of hogs and sheep declined seasonally. As compared with April a year ago, all of the classes of livestock showed larger receipts, the increase being particularly large in hogs.

Prices at northwestern terminal markets of the chief products of the farm improved slightly during April. Livestock prices were slightly higher, grain prices remained practically unchanged and there were certain purely seasonal changes in prices of butter, eggs, hens and potatoes.

In the livestock group of prices, the median prices of butcher steers, butcher cows and feeder steers all increased, with butcher cow prices showing the greatest rise, amounting to $1.00 per hundredweight. These changes were partly seasonal. The price of veal calves declined, but not by the usual amount, and bearing the seasonal variation in mind, veal calf prices were relatively higher during April than at any time since January, 1921. The price of hogs increased very slightly during the month and the price of lambs declined, although normally prices of both classes do not change at this time of year.

Among the grains, there was an increase of 6½ cents per bushel in barley and a smaller increase in oats, while flax and rye showed small decreases. Wheat and corn, however, showed no change in median price.

The price of butter at Minneapolis declined during April, hens and potatoes showed increases and the price of eggs remained unchanged.

Buying in the country sections of this district, as evidenced by retail lumber sales, showed a wholly seasonal increase of 43 percent between March and April, but these purchases were 16 percent smaller than in April last year, continuing the tendency towards reduced purchasing which has been evident all spring.

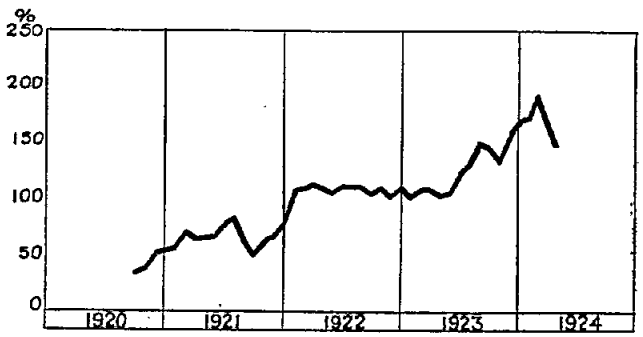
Stocks of lumber in the hands of retailers were practically unchanged during April, but showed a 14 percent smaller total than last year at this time.

The volume of business in Ninth District cities, as measured by individual debits at banks, showed a decline of 5 percent, which is more than seasonal, between March and April and the volume was 7 percent lower than a year ago. However, the volume in April of last year was extraordinarily large; and in spite of the current decline, the April volume this year remains larger than our computed normal.

Business failures during April showed a pronounced rise, both in number and liabilities, over the preceding month and over the same month last year. The number of failures, in fact, was close to the highest point reached in recent years, totaling 105 for this district, according to a report from R. G. Dun and Company. The liabilities involved in these failures were $1,254,620.

Building permits in the more important cities of this district increased seasonally between March and April. Small projects predominated and the average permit remained at a very low level. As compared with April a year ago, which was an exceptionally active month in new building, the number of permits was smaller by 13 percent, and the valuation was down 36 percent.

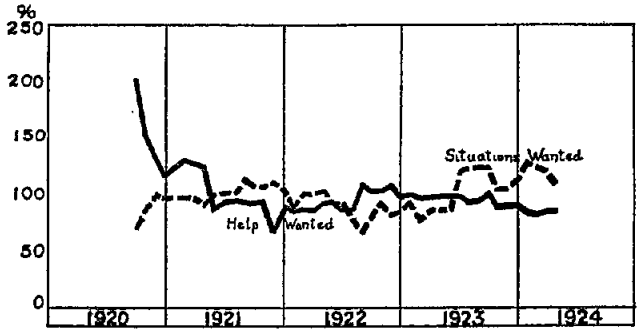
Housing in Minneapolis is becoming more adequate. From a condition of grave shortage at the close of the war, the condition has steadily improved, owing to the large building program which has been under way. The movement was most active in 1921 and 1923, with a temporary sidewise movement in 1922. Building operations in 1923, which were largely residential, caused the greatest improvement in the housing situation which has occurred since the war. All of these facts are clearly shown in the accompanying chart which illustrates the number of "dwellings for rent" advertisements in a Minneapolis newspaper month by month from 1920 to the present time. In this chart a correction has been made to eliminate purely seasonal changes.



"Dwellings for Rent" Advertisements in a Minneapolis Newspaper. The curve has been adjusted to eliminate seasonal changes.

The employment situation locally reflects the growing quietness in business, which has been apparent for some time. An excellent index of the relative supply and demand for certain classes of labor is shown in the accompanying chart of the movement in number of "help wanted" and "situations wanted" advertisements in a Minneapolis newspaper, with corrections made to eliminate purely seasonal changes. From this chart it can be clearly seen whether laborers or employers are in the more favorable position at any time. In 1920 and the first months of 1921 and again in the fall of 1922 and the spring of 1923, advertisements for "help wanted" were relatively more numerous than for "situations wanted". In the latter part of 1921 and the early months of 1922 and again in the period from June, 1923, to the present, the curve for "situations wanted" was in the ascendant. There has been a fairly constant rise from August, 1922, to

the present in the curve of "situations wanted" and a corresponding decline in "help wanted". For the last few months, employers evidently have been better able to select efficient employees than at any previous time shown on this chart.



Employment Advertisements in a Minneapolis Newspaper. The curves have been adjusted to eliminate seasonal changes.

Wholesale trade in this territory continued to be in moderate volume during April. There were increases in sales of groceries and hardware over the March total and declines in sales of dry goods, shoes and farm implements. Sales in all lines were smaller in April this year than a year ago, dry goods and shoes making the least favorable comparison.

Department store sales in cities of this district were 23 percent larger in April than in March, exhibiting unusual activity in retail trade for this time of year. Part of this increase was undoubtedly due to the fact that Easter fell in April. April sales were also 3 percent larger than sales in April last year, but it must be remembered that a year ago, Easter came in March. Comparing March and April combined for the two years, the sales this year were 2 percent lower than a year ago.

Manufacturing activity in this district continues at a low level. The flour output at Minneapolis declined nearly one-fifth between March and April and was lower than any April total in the last fifteen years, with the exception of 1918, and nearly one-fourth lower than a year ago. Outside mills in this district reporting to the Northwestern Miller, manufactured only 4 percent less flour in April than in March and 18 percent more than in April last year. The output of these mills was larger in April than the output of the Minneapolis reporting mills, which is a rather unusual occurrence.

Shipments of linseed oil showed sharp declines of an unseasonal nature between March and April, evidencing the reduction in domestic supplies which has occurred in the last few weeks. Shipments of linseed oil were reduced 27 percent, although usually there is a slight increase, and oil cake shipments were reduced 45 percent as compared with the customary reduction at this time of year of only 7 percent. As compared with a year ago, linseed oil shipments during April were slightly larger, and oil cake shipments very much smaller.

Lumber manufacturers expanded their mill operations materially during April, as is usual at this time of year, but even so, their rate of activity was much lower than last year. Lumber cut during April was more than twice the volume of March, but one-fourth less than last year. Shipments were about as large in April as in March and 10 percent less than in April a year ago. Stocks of lumber showed a slightly upward movement, which is probably entirely a seasonal occurrence, but these stocks were 10 percent larger than a year ago, which is further evidence of the reduced demand for the product.

Mining operations in this district were on a reduced scale in April as compared with March and smaller than in April a year ago. The output of copper was 7 percent lower in April than in March and 2 percent less than last year in April. Coal mining was one-fifth below March and one-fourth below a year ago. Shipments of iron ore from upper lake ports commenced at an early date this year, and the volume shipped cannot be properly compared with the volume shipped in April last year when the opening of navigation was much later. April shipments this year amounted to 645,203 tons and in April last year 14,184 tons.

The banking situation in this district may be characterized as one of extreme quietness in the cities and moderately expanding activity in the rural districts. Earning assets and deposits of city member banks showed pronounced declines during the month of April, and there was an unseasonal decline in the volume of commercial paper outstanding. This has not affected interest rates at Minneapolis.

The balance sheets of twenty-five selected member banks in the cities of this district showed a decline during April of 15 million dollars, or 7 percent, in demand deposits and a decline of 1 2/3 millions, or 2 percent, in time deposits. These reductions were offset by a reduction in loans of 12 millions, or 5 percent, and a decline in security holdings of 5 millions, or 8 percent, and the borrowings of these banks from this Federal Reserve Bank were reduced slightly.

These banks experienced a further reduction of 2 millions in loans during the first two weeks of May, which was accompanied by a decline of less than 1 million in demand deposits and an increase of 1½ millions in security holdings. Time deposits increased slightly. The delicate situation arising from the failure of a St. Paul non-member bank near the first of May was largely responsible for these banks increasing their cash reserves by more than 2 million dollars and their reserve balances with the Federal Reserve Bank by 1 million dollars. These increases were accompanied by an increase in borrowings from this Federal Reserve Bank of 2¾ millions.

Interest rates on the best classes of paper at Minneapolis remained unchanged, at about 5½ percent, although from the experience of the post-war years, they usually decline slightly at this time of year.

The volume of commercial paper outstanding in this territory declined 6 percent during April. This is only the second similar occurrence at this time of year in the five years during which we have compiled statistics. The volume of such paper outstanding was also 4 percent lower than a year ago.

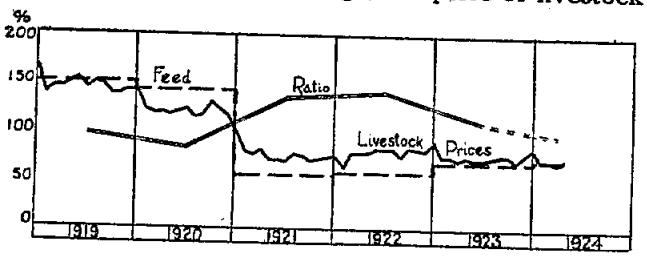
Savings deposits in fourteen savings banks, trust companies and national banks in Minneapolis, St. Paul and Duluth showed a slight seasonal decline during the month of April. The volume was 5 percent larger than a year ago.

This Federal Reserve Bank experienced an increase of 1 million dollars in discounts for member banks during the month of April, which was accounted for by an increase in loans to banks in the rural sections of the district, counterbalanced by the decline mentioned above in loans to city member banks. There was a considerable change made in the character of the other earning assets of this bank, as more than 4 millions of purchased bills were released and 5 millions of United States securities were added to our holdings. Cash reserves declined 4 million dollars during the month, Federal Reserve notes declined more than 1 million dollars and member bank deposits were reduced 3 millions.

During the first two weeks of May, there was a continuation of the increase in rural bank borrowings from this Federal Reserve Bank and the city members also increased their borrowings. Purchased bill holdings declined still further and security holdings were increased somewhat. Cash reserves and member bank deposits showed a moderate rise. The volume of Federal Reserve notes in circulation increased more than 6 millions during this period, an extraordinary occurrence, which is to be explained by some loss of confidence in certain localities in banking institutions occasioned by one or two large and well advertised bank failures which occurred during this period.

LIVESTOCK AND FEED PRICES IN THE NINTH FEDERAL RESERVE DISTRICT SINCE THE WAR

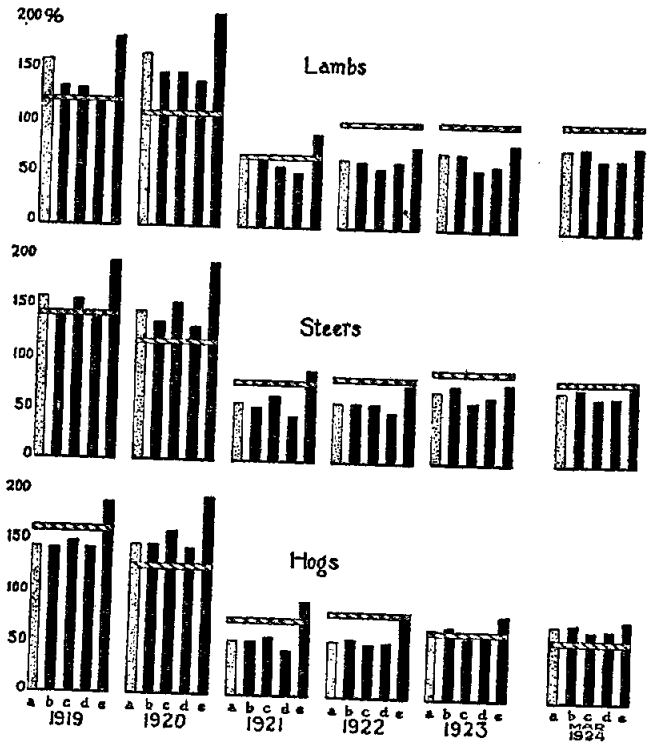
The ratio of profitableness in livestock raising was smaller in 1923 and during the first months in 1924 than in 1921 or 1922, but larger than in 1919 and 1920, from the standpoint of the relation of the price for finished livestock to the cost of feed. No analysis of conditions could show more clearly the effect of alternate periods of excessive supplies of feed and excessive numbers of livestock to be fed than the present study which this office has just completed of the course of livestock prices at South St. Paul and the cost of feed for livestock in the four complete states in this district for the years from 1919 to the present. Judging from each year's relation to the five year average, the price of livestock and the cost of feed were about evenly balanced in 1919, but feed prices held up longer than the price of livestock in 1920, so that the profit in feeding was apparently materially reduced. Feed prices declined more in 1921 than did the price of livestock, and consequently the profit in livestock raising was greater in that year. This situation continued in 1922 and was directly responsible for the great increase in the number of hogs in the Northwest in 1923, which greatly increased the demand for feed in 1923 and raised the price of feed so that livestock profits diminished.



Livestock and Feed Prices in the Four Complete States of the Ninth Federal Reserve District in Percentages of the Five-year Average, and Ratio of Livestock Prices to Feed Prices. The curve of livestock prices has been adjusted to eliminate seasonal changes

Although both pork and beef were more profitable on the average during the past five years than sheep raising, at present prices sheep appear to be the most profitable form of livestock, with cattle and hogs holding respectively second and third places. This statement is based on the data represented on the second accompanying chart as a comparison of prices received for various classes of livestock and the cost of feed. In making this study, we are well aware that the cost of feed is only one of many items in the cost of livestock growing, but it is undoubtedly the most variable, and the least affected by local incidents, of all of the various factors. For a complete survey of the profit in livestock raising, it would be necessary to study the various localities with respect to such variables as freight

rates, taxes, rentals, the local demand for the product, the cost of winter feeding and a multitude of other costs which affect the relative profitableness of the enterprise, even as between neighboring farms.



Cost of Feed for Lambs, Steers and Hogs in the Four Complete States of this District (Vertical Bars), Compared with Market Prices for these Animals (Horizontal Bars). Both series are shown in terms of the five year average. a, Four States combined; b, Minnesota; c, North Dakota; d, South Dakota; e, Montana.

Livestock Prices Since the War: The course of livestock prices has been downward in the main during the five post-war years. From a high level in 1918 and 1919 there was an almost continuous decline until June, 1921, then a slight recovery lasting through 1922, after which prices were depressed and remained at a low level, with the exception of the last two months of 1923. There were temporary bulges in the price curve in the latter part of 1919 and the fall of 1920 on account of a shortage in livestock supplies, caused by the transportation tie-up, which lasted throughout the two years. However, the railroads took the necessary steps to expedite cattle shipments and to reduce delays at terminals, thereby making it possible for livestock, especially cattle, which had accumulated in country shipping pens, to enter the market in abnormal quantities in November, and the most pronounced price decline in the period surveyed followed in December and January.

In the first four years of this period, the prices received for cattle had a larger influence upon the general price level of livestock than any other class; but in 1923, and the first four months in 1924, hogs have predominated and are largely responsible for the low level of the index.

The different classes and grades of animals for which we have computed median prices during this period show some interesting variations from one another in price trends. The cattle group, after sharing in the general decline in the first part of the period, has shown a steady but very gradual recovery from the low point in 1921. The median price of butcher steers, representing the highest grade cattle which come to market, has responded readily to shortages in supply or to extraordinary demand and exhibited pronounced peaks in the curve, adjusted for seasonal variations, in the fall of 1919 and the fall of 1920 and twice in 1923; but at the present time the low pork prices, due to heavy supplies, have reduced the demand for beef and the normal price rise has been slow in appearing. Any increase in fat cattle prices will benefit a large number of producers, owing to the greater territory included in the corn country producing such cattle. During the month of April a carload of fat steers, averaging 1400 pounds, was shipped to South St. Paul by Amos Kelly of Malta, Montana, near the Canadian boundary, and these steers topped the market on the day of sale at $10.50 a hundredweight.

Stocker and feeder steer prices follow the price of butcher steers very closely, although, of course, on a lower level. At times high feed prices curtail the demand for feeder steers, as was the case in the fall of 1919 and the summer of 1923.

The price of butcher cows, also, follows the price trend of butcher steers with fair constancy, but it is not as sensitive to conditions of supply and demand as the price of butcher steers.

Veal calf prices were maintained at a high level for several months in 1919 and 1920 after the major decline began in cattle prices; but the weight of supplies of calves has been constantly increasing and has prevented any marked recovery from the low levels of 1921 until April, 1924.

The price of hogs is lower this spring than at any time in the post-war years, with the single exception of June, 1923, when an equally low price level was reached, if seasonal changes be eliminated. During the period surveyed, there has apparently been a continuation of the three year cyclical movement of hog prices, including one complete cycle from a high point in 1919 to a high point in 1922 and part of a second cycle, as indicated by the decline in 1923-24.

The price of lambs is fairly typical of prices generally in the sheep industry. Prior to the passage of the tariff act of 1921, the sheep-men were greatly discouraged and heavy marketings occurred in 1919, 1920 and 1921 of foundation stock, which caused very irregular price movements during that period.

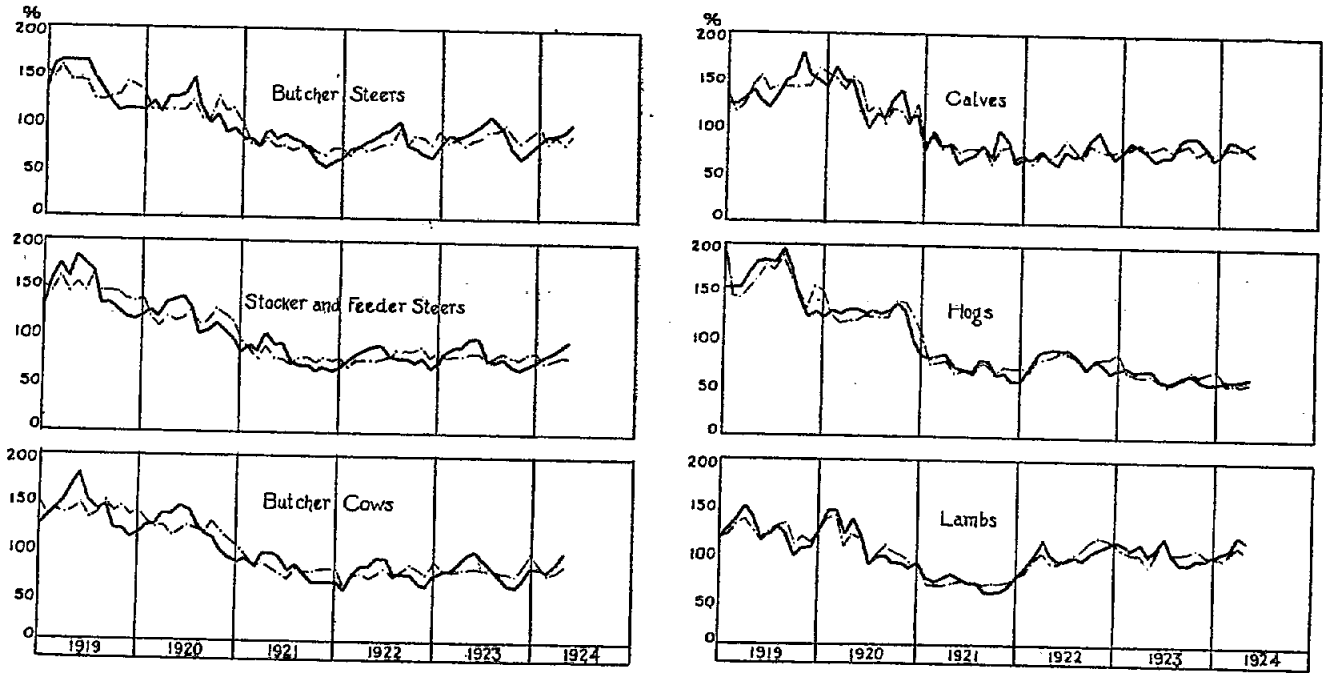
Following favorable tariff legislation, which promised increased prices for sheep, lambs and wool, the movement to market was greatly reduced and has been subnormal until the present time. Prices advanced abruptly in the spring of 1922 and advanced still further, if seasonal changes are eliminated, in the fall of the same year. Since that time prices have remained at a fairly constant level.

Feed Prices Since the War: Farm prices of the principal feedstuffs, corn, oats, barley, hay and bran, advanced generally in 1919 and the first half of 1920, but broke badly when cattle prices declined and continued to decline during 1921. During 1922, 1923 and 1924, prices have gradually increased, except for a temporary recession at harvest time in 1922 and a lesser decline in 1923.

Prices in these four states have not shown the same tendencies at all times, Montana prices fluctuating independently of the other states. Hay, especially, reached stupendous prices in Montana during the shortage in 1919-20, ranging from $19.00 to $35.00 a ton, as compared with $11.00 to $19.00 a ton in the other states. Bran prices in Minnesota and North Dakota declined more than $3.00 per ton between May 15 and July 15 in 1922, while South Dakota and Montana prices increased. Following this decline in North Dakota, bran prices in that state climbed much more slowly than in the other states until the following April. With the exceptions noted, prices of all feedstuffs in Minnesota, South Dakota and North Dakota generally moved in about the same manner, and, except for corn in North Dakota, which was generally higher than that in Minnesota and South Dakota, on only slightly different levels.. In general, then, Montana prices and North Dakota bran and corn prices show the greatest differences, with regard to both fluctuations and levels. These differences are doubtless due to local supply and demand, prices being based upon production and consumptive requirements within the state, rather than the price at any terminal market.

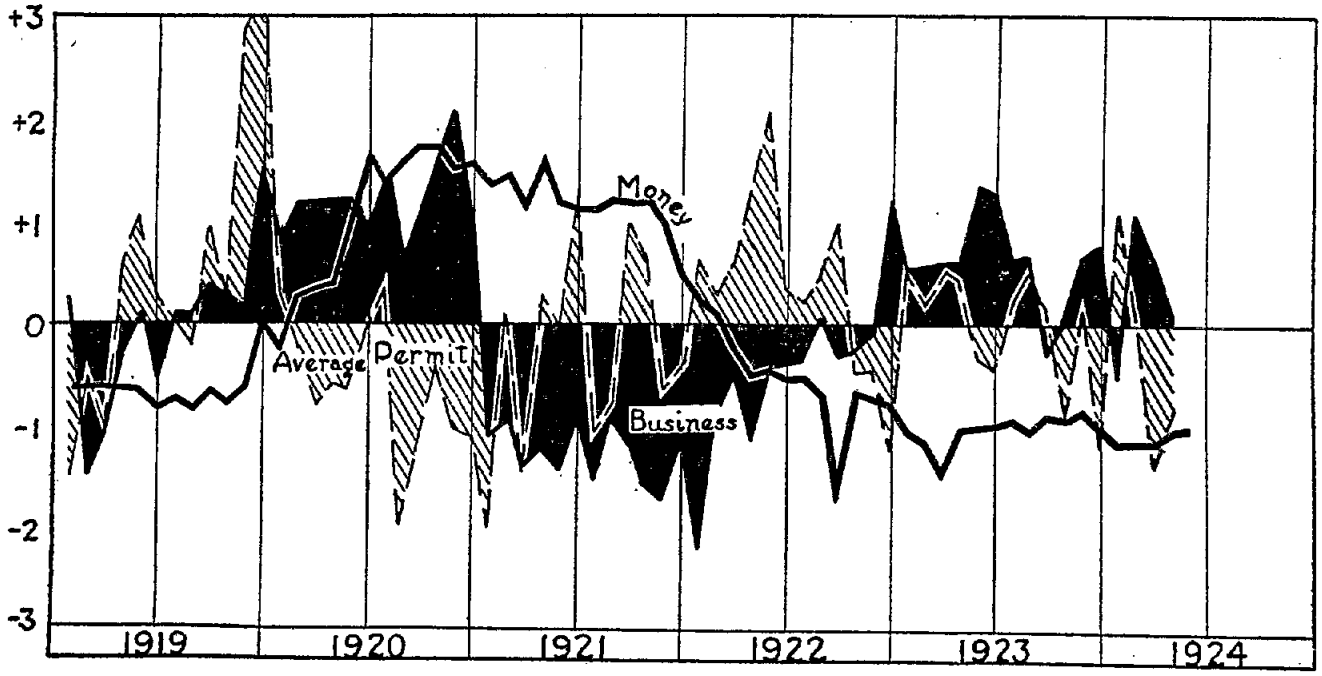
As will be seen from the charts, the effect of feed prices in any one state on the combined feed index is only proportional to the quantity of livestock marketed at South St. Paul from that state. To illustrate, the total cost of the feed required to produce one-hundred pounds of pork in Montana during 1919 was 184.2 per cent of the five year average, but the index of feed prices for hogs in the four states combined was only 140.2, due to the fact that only 1.4 per cent of the hogs received at South St. Paul during 1919 were from Montana.

Note: For those interested in the statistical sources and methods used in the foregoing article, a mimeographed statement has been prepared which will be mailed upon request.



Prices at South St. Paul of Various Classes of Livestock Expressed in Percentages of the Five-year Average. The solid line represents actual price changes, and the broken line those changes which are not seasonal.

GRAPHIC SUMMARY OF URBAN BUSINESS CONDITIONS IN THE NORTHWEST

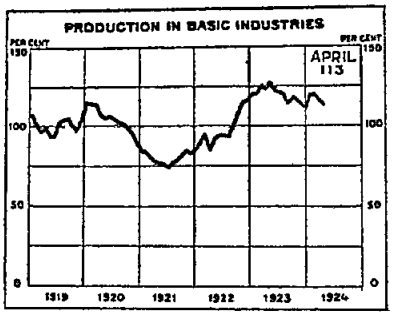


These curves have been constructed from data collected by this office and adjusted to eliminate seasonal influences. Adjustment for secular trends has been made except for the money curve.

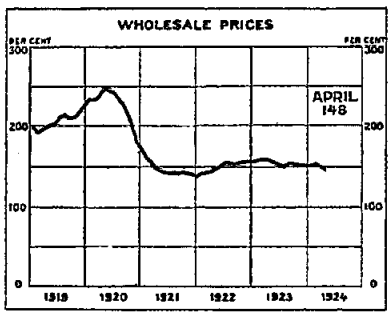
BUSINESS: The best single available index of general business is individual debits. These represent the aggregate dollar value of all payments made by bank checks, and therefore reflect both the volume of business and the prevailing prices. Allowance for secular trend is in the main an allowance for price changes which have been downward. Nine representative cities for which we have consecutive figures are combined in this curve.

MONEY: The commercial money rates here shown are based on a weighted average of five varieties of paper in Minneapolis. Although national, more largely than local, business conditions determine this rate, it is an important consideration in determining local business policies.

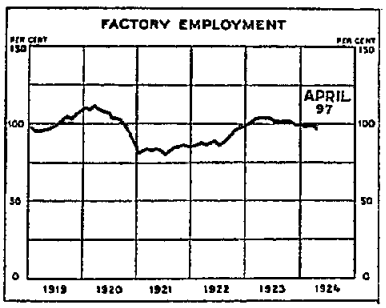
AVERAGE BUILDING PERMIT: The number and value of building permits granted are customarily accepted as indicative of prospective business activity. This graph, however, shows the average size of building permits for eighteen selected cities, thereby giving greater weight to the larger projects which are either started or deferred because of business considerations, and which have a determining influence upon the degree of activity in the building trades and in the supply of materials. This curve furnishes an index of business sentiment which is made up very largely of confidence in the stability of prices. Allowance for secular trend is necessary to eliminate changes due to the development of industries in these cities. The variation of building material prices, as compared with 1913 levels, has been eliminated in constructing this graph.



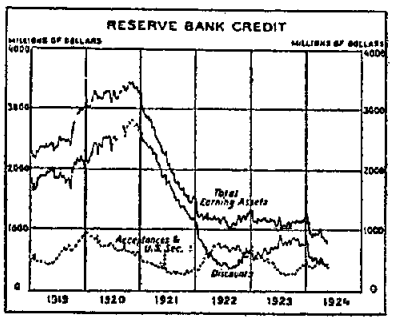
Index of 22 basic commodities corrected for seasonal variation (1919 = 100).



Index of U. S. Bureau of Labor Statistics (1913 = 100, base adopted by Bureau).



Index for 33 manufacturing industries (1919 = 100).



Weekly figures for 12 Federal Reserve Banks. Latest figures, May 21: (1) 795, (2) 415, (3) 380.

Summary of National Business Conditions

(Compiled May 24 by Federal Reserve Board)

Factory employment and production of basic commodities declined in April and there was a further recession in wholesale prices. Retail trade was larger than in March, chiefly because of Easter buying and was at about the level of earlier months of the year. There was a decrease in the volume of borrowing for commercial purposes and further easing of money rates.

PRODUCTION: The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variations, declined two per cent in April. Declines were particularly large in the iron and steel, coal and woolen industries. Mill consumption of cotton, on the other hand, showed less than the usual seasonal reduction between March and April. Factory employment declined two per cent in April, owing chiefly to a large reduction of forces at textile and clothing establishments. Contract awards for new building reached a higher value than in March and were also larger than a year ago. The value of building permits granted, however, declined and was smaller than in the corresponding month of 1923. Department of Agriculture estimates on May 1 of yields of winter wheat and rye are somewhat above the forecasts made in April. The acreage of winter wheat is estimated at seven per cent less than last year.

TRADE: Railroad shipments, which since the middle of March have been smaller than last year, were three per cent less in April than a year ago. Shipments of coal were much below last year, while loadings of merchandise and miscellaneous freight were higher.

Wholesale trade in April was in about the same volume as during the preceding month and as in April, 1923. Sales of dry goods and hardware were smaller than a year ago, while sales of drugs and shoes showed some increase. Department store sales were considerably larger in April than in March, partly owing to the unusually late Easter. Total sales for the two months were two per cent greater than in the corresponding period of 1923. Merchandise stocks at department stores showed less than the usual seasonal increase in April, but were at a higher level than a year ago.

PRICES: Wholesale prices, according to the Bureau of Labor Statistics index, declined one per cent during April and reached the lowest point since May, 1922. Farm products, however, advanced two per cent in April. Metals and foods showed substantial reductions; prices of clothing, fuel, and chemicals also declined; while prices of building materials and house furnishings remained unchanged. During the first half of May quotations on cotton, wheat, flour, and hogs increased, while prices of sugar, silk, wool and metals declined.

BANK CREDIT: During the five week period ending May 14, the volume of borrowing for commercial purposes at member banks in leading cities declined somewhat from the high level reached early in April. There were increases, however, in loans on stocks and bonds and in investments in securities; so that the total of all loans and investments at the middle of May was higher than a month previous, and in larger volume than at any time in more than three years. The volume of borrowing by member banks at Federal Reserve banks declined further during the last week of April and in May, while holdings of securities bought in the open market increased slightly. Total earning assets declined to $795,000,000 on May 21, the lowest figure since the autumn of 1917.

Further easing of money conditions during the last week of April and the first three weeks of May was reflected in a continued rise of the prices of Government securities, in a reduction from 4½ to 4¼ per cent in the rate for prime commercial paper, and a decline in the rate for bankers' acceptances from four to three per cent. On May 1 the discount rate of the Federal Reserve Bank of New York was reduced from 4½ to 4 per cent.