CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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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 production of small grains and potatoes was estimated on August 1 to be greater than on July 1; but the bumper oats crop expected for Minnesota will be reduced by the recent heavy general rains which have retarded threshing and damaged grain in the shock. Corn prospects, which improved in July, have not been maintained in August, owing to continued cool and unusually wet weather. Realization of a full crop of sound corn will depend upon frosts deferred to late September, according to recent opinions of experienced observers in the corn section. Some parts of North Dakota experienced frost before the third week in August.

Substantial increases in the prices realized for most grains and livestock both in July and August have brought about a greater movement to market. The grain movement was greater than a year ago, due to increases in corn, rye and oats; and livestock shipments were above the ten year average for calves and hogs. The heavy run of hogs also may be accounted for in part by anticipation of an unfavorable feed situation.

Farm purchasing power, when measured by shipments of agricultural implements and vehicles from Minneapolis was lower in the first seven months of 1924 than in any similar period in the last ten years; but there is reason for believing that some improvement is taking place, because lumber sales at representative retail yards reported a three per cent increase in July as compared with June, with a greater increase in the sales for cash than is normal for this season.

The volume of general business, as measured by debits to individual bank accounts, increased three per cent in July, whereas there is normally a decline of three per cent, indicating a relative improvement of six per cent for the month, and the total was seven per cent greater than a year ago. This improvement in the volume of business was due largely to the greater movement of farm products to market, since wholesale and retail trade and lumber, flour and linseed manufacturing did not increase during the month, and the majority of these were below a year ago. Decreasing labor demand confirms this situation in industry and commerce. A part of the increase in debits may be due to increased speculative activity in our local grain markets.

Prospective building activity, as shown by permits issued in July, increased much more than the seasonal amount, although not equal to the volume of a year ago.

Banks generally experienced rising deposits and declining loans during the six weeks ending the middle of August, with a resultant decrease in interest rates, increase in security holdings, increase in reserves and reduction of rediscounts at this Federal Reserve Bank. Prepayments on rediscounts currently more than offset new loans made by this bank for harvesting needs.

TOPICAL REVIEWS

Summary of reports from United States agricultural statisticians. Production forecasts of small grains and potatoes in our four states continued to increase between July 1 and August 1, according to reports of the United States Department of Agriculture statisticians in each state. The only exceptions were wheat and rye in Montana and rye in South Dakota. The production forecast for corn declined slightly.

Outside of some local damage by storms and drouth and slight damage by rust to late sown fields, conditions on August 1 were extremely favorable for small grains throughout our four states, with the exception of western Montana. The central third of North Dakota suffered somewhat from lack of

moisture during the first half of July, but the August 1 wheat forecast for the entire state is 17.7 million bushels greater than the July 1 forecast. The oats crop in the southern half of South Dakota was infected quite generally with rust, but the August 1 forecast was nearly five million bushels greater than that of July 1. It is entirely possible, however, that while the rust failed to cause a net decrease in the yield, it did cause some deterioration in quality.

Rye, barley, oats, and spring and winter wheat were all generally reported to be of excellent quality, and the yields per acre were reported as being far above any yields obtained within the last few years. If actual threshing returns bear out the August 1 oats estimate for Minnesota, that state will have produced an oat crop which exceeds the largest previous crop by 10 million bushels.

While flax was generally reported as being in good condition, there were stands reported at all stages of development. By August 1 early sown fields were rapidly maturing, but late sown fields were not yet in bloom. Reports from South Dakota indicate that some flax was sown there during the first third of July.

North Dakota reports indicate less weed damage than a year ago, although this season has favored the development of wild oats, which have become particularly abundant in the western third of the state.

The corn crop also showed great variation in degree of development, but on the whole, early planted corn appeared to have gained about two weeks in maturity during July. Sections which reported corn as being three or four weeks late July 1, reported it ten days to two weeks late on August 1. Naturally, stands are shorter, and the ensilage and fodder yields will be considerably reduced.

The August 1 potato forecast for our four states shows an improvement of more than 10 per cent in comparison with the July 1 forecast. This improvement is greater than that forecast for the entire United States, which was about seven per cent.

There was a plentiful supply of farm labor on August 1, the ratio of supply to demand varying from 101.0 in North Dakota to 109.6 in South Dakota. The North Dakota report called attention to the fact that the demands for harvest and threshing are much later this season than usual. No report on farm labor was received from Montana.

Crop reports by the agricultural statisticians covering the first half of August show that the state of the corn crop is a matter of great concern. In South Dakota "corn conditions are problematical, dependent on late frost and warm temperatures from now on until late September," although corn has made gains since August 1. According to the agricultural statistician in South Dakota "it may be wise for farmers to study the corn situation with a view to saving some of their old corn which is suitable for seed and to be careful in securing seed for next year's crop." In North Dakota, the corn crop did not make any gain in the first half of August sufficient to offset its early backward condition and "even the most advanced fields will need favorable weather for a grain yield." Slight frost damage has been noted west of Jamestown. Maps presented elsewhere in this review show the extent to which the corn country has been expanded northward and westward since 1919. The importance throughout this district of favorable weather for the corn crop has consequently been greatly enhanced. The North Dakota report also states that cool weather and showers over most of the state has retarded the ripening of other crops, especially late sown grains, potatoes and the seed crops of alfalfa and sweet clover.

Since cold weather promises to be such an important factor in crop returns this year, it is interesting to note when killing frosts may be expected. In Minnesota, over a long period of years, killing frosts have occurred as early as August 30 in the southern part of the state and August 25 in the Red River Valley, but the normal time for the first killing frost to occur varies from September 28 in the southern part of the state to September 23 in the Red River Valley. In South Dakota, the normal time for the first killing frost varies from September 22 to October 7, according to Weather Bureau reports.

Next year's acreage of winter wheat and rye in the United States will be increased substantially if farmers' intentions on August 1 materialize. This is the report of the United States Department of Agriculture and shows the natural result of the higher grain prices prevailing at this time. As the department is careful to note, these expressed intentions are subject to change. Of particular importance to this district is the intended increase of 14.1 per cent in rye acreage over the 1923 sowing. This would result in an acreage of this grain amounting to 4,992,000 acres, as compared with 4,377,000 acres last year and a pre-war average of 2,562,000 acres.

Grain receipts at Minneapolis and Duluth-Superior were smaller in July than in June and slightly larger than in July last year. Receipts of corn and rye were about twice as large as a year ago, receipts of oats were more than one-fourth larger, and receipts of the other grains were smaller.

Stocks of grain in terminal elevators in this district were greatly reduced during July, as is customary. Barley was the only exception. Stocks of rye in particular were cut nearly in half, thus bringing the stocks of this grain back to a more normal condition, for rye stocks have been unwieldy for nearly two years. Stocks of wheat were reduced nearly one-third to about seven million bushels. Stocks of the other grains were very small at the end of July. As compared with last year, stocks of corn and flax were larger and stocks of the other grains were smaller.

Grain prices other than flax advanced rapidly during July. The price of corn increased 20 cents per bushel in median price between June and July and Number 3 Yellow corn, which we use as a typical grade, reached $1.08 a bushel toward the close of the month. This rise in the price of corn is of doubtful import, since it is a feed crop and is marketed mainly in the form of livestock. On the basis of July median prices, the hog-corn ratio of profitableness declined from 111 to 92, which is the most unsatisfactory showing for the hog raiser of any monthly figure since our record began in 1920. Although the other feed crops have not suffered from unseasonable weather, and, in fact, show increased yields over last year, they have been affected in price by the small corn crop in prospect, and both oats and barley increased four cents a bushel in median price in July over June. The price of wheat advanced eight cents and the price of rye advanced nine cents in July, while the median price of flax was one cent higher in July than in June. The median price of wheat was the highest in two years, and the median prices of corn, oats and barley were the highest since 1920.

Livestock receipts at South St. Paul were slightly larger in July than in June on account of heavier receipts of all classes except hogs. For cattle and sheep, the increase was a seasonal occurrence and both were shipped to market in about normal volume using the ten-year average for the month of July as a measure. In the case of calves and hogs receipts were much larger than the ten-year average and larger than might have been expected from the June movement allowing for seasonal changes. In June both hogs and calves showed pronounced declines as compared with the normal run, but there was a sharp recovery in both cases in July. The hog movement, in particular, reflects the endeavor to reduce herds to a size which will not require more than the prospective feed supplies. As compared with July last year, shipments of cattle and sheep were smaller and shipments of calves and hogs were larger.

The feeder movement was not large in July, although there were increases over June in every class except hogs. July is normally one of the smallest months in feeder shipments and any changes at this time of year are not significant. It is perhaps interesting to note, however, that July shipments of feeder cattle and calves were much smaller than in July a year ago. Hogs moved in about the same volume, and shipments of feeder sheep were much larger.

Livestock prices at South St. Paul were lower in July than in June in the majority of classes, according to the median prices computed in this office. Every class showed declines, except hogs and veal calves, in which there were moderate increases. Lambs were down 50 cents, butcher cows were $1.00 lower and butcher steers and feeder steers were 25 cents lower. In the case of hogs and veal calves, the small increases in the medians do not tell the whole story, for prices were advancing during the month and the highest price paid for hogs in July was more than $3.00 higher than the highest price paid in June, and the highest price paid for veal calves in July was $1.00 higher than the highest price of June.

Rural buying power still has some reserves, as is evidenced by the record of retail lumber sales in July. The companies reporting to this office sold three per cent more lumber in July than in June, although ordinarily there is a considerable decline between these two months. The curve of lumber sales, corrected to eliminate seasonal changes, recovered half of the losses of the first half year in this one month, and July sales were only six per cent smaller than July sales last year. This is a great improvement when it is considered that June sales were 26 per cent smaller than the sales in June last year. Moreover, this increase in sales did

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

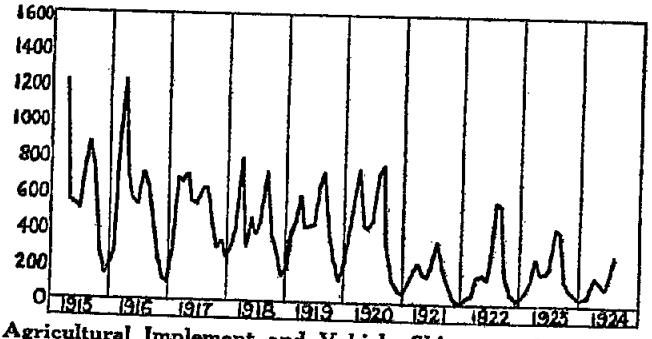
	Spring Wheat		Winter Wheat		Oats		Corn	
	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923
Minnesota	22,709	19,281	1,958	1,504	164,412	153,254	130,442	154,692
Montana	39,002	39,940	12,404	12,546	23,256	22,209	12,044	9,490
North Dakota	91,612	58,660	.....	.....	76,751	54,924	26,117	28,207
South Dakota	31,806	25,982	1,120	924	83,809	78,336	111,744	145,176
Four States	185,129	143,863	15,482	14,974	348,228	308,723	280,347	337,565
Ninth District	185,494	144,160	16,191	15,616	376,520	333,084	292,864	351,852
United States	224,767	213,401	589,350	572,340	1,439,041	1,299,823	2,576,441	3,054,395

	Flax		Potatoes		Rye		Barley	
	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923	Forecast 8-1-24	Estimate 1923
Minnesota	6,745	5,270	39,196	38,304	14,554	12,312	26,948	24,050
Montana	1,913	902	4,077	3,960	1,794	2,112	2,587	2,838
North Dakota	15,054	8,424	13,843	13,114	13,524	10,046	33,033	23,818
South Dakota	3,834	2,414	6,557	7,744	3,483	3,496	21,990	20,025
Four States	27,546	17,010	63,673	63,122	33,355	27,966	84,558	70,731
United States	28,401	17,429	398,821	412,392	65,805	63,023	184,171	198,185

not represent merely an addition to accounts receivable of the lumber retailers, for cash payments increased 20 per cent between June and July, which is a better increase in collections than in any of the four preceding years. In 1923 the increase in cash collections between June and July was less than one per cent, in 1922 the increase was nine per cent and in 1921 the increase was five per cent. While the record of cash payments is not complete for 1920, it is evident from a study of sales and receivables, that the cash payments in July, 1920 would not show a marked increase over June collections. This stimulus to collections cannot be attributed to cash returns from the 1924 crop, and must be accounted for by assuming that the farmers have some reserve purchasing power which they are calling into use now that they are practically assured of a good return from this year's operations.

Retail lumber stocks showed a more than seasonal reduction of four per cent during July and were 15 per cent smaller than a year ago.

Shipments of agricultural implements and vehicles to the Northwest by Minneapolis firms furnish a good indication of the state of trade with the farmers. Fortunately, a record of these shipments has been kept by the Minneapolis Traffic Association for the last 10 years and is presented in graphic form in the accompanying chart. Evidently the farmer's buying power or desire to purchase, has shrunk very greatly during the period. Since 1916 there have been no twelve hundred car months in the farm implement industry. The picture is a forcible illustration of the immense buying power which the farmer had in 1915 and 1916, when prices of farm products had been stimulated by the unusual European demand, while prices of things that the farmer purchased had not increased materially. By 1917, however, other prices had risen to the level of farm product prices and for the four year period from 1917 to 1920, when those groups of prices coincided, the farmers' purchases of agricultural implements did not reach the levels of 1915 and 1916. The effect of the great fall in agricultural prices in 1920 and 1921 is seen in the small volume of shipments of farm implements in 1921. Shipments improved slightly in 1922 and 1923, but 1924 shipments for the first seven months were the smallest



Agricultural Implement and Vehicle Shipments from Minneapolis measured by Cars.

in any similar period in the last 10 years. This record corresponds very closely with the record of lumber sales at retail yards, which have been made available by this office for the period from 1920 to the present.

The volume of business in this district, as measured by debits to individual accounts, increased three per cent between June and July, although normally there is a decline of about three per cent. Debits were about seven per cent larger than in July last year and were also larger than any previous July in the post-war years, with the exception of 1920.

Wholesale trade in this district in July showed some improvement over last year, except in the case of hardware and shoes. Dry goods sales were 12 per cent larger than in July last year, and farm implements and groceries were sold in slightly larger volume. As compared with June sales, the July volume was smaller for dry goods and shoes, about the same for groceries and hardware and more than twice as large for farm implements. This latter increase, however, was purely a seasonal occurrence, which always happens before harvest and consists largely of binder twine. The other changes were also largely seasonal, except that dry goods sales normally fall off much more than they did this year.

Department store sales declined 19 per cent between June and July, but this decrease was smaller than the usual decline at this season showing that retail trade made a good recovery from the unsatisfactory results of June. July sales were the largest of any July in the last four years. The effect of the improved sales on stocks was a more than seasonal reduction of nearly four per cent, which left stocks two per cent lower than a year ago, although larger than on the same date in 1921 or 1922. Retailers are still buying on a hand-to-mouth basis. Their percentage of outstanding orders at the end of July to total sales for the previous year was a little over five per cent as compared with about nine per cent on the corresponding date in 1923 and 1922 and more than 10 per cent in 1921.

Manufacturing and employment conditions in important industries of this district were at least stabilized during July. Lumber manufacturers shipped about the same quantity of lumber in July as in June, as evidenced by reports direct to this office. This sustained volume of shipments is a satisfactory showing when it is known that normally shipments fall off moderately at this time of year, but shipments were four per cent smaller than in July last year. Car loadings of forest products for the northwestern district were about as large in July as in June, allowing for seasonal changes. The cut of lumber was reduced slightly between June and July and was 12 per cent lower than in July a year ago. Manufacturers' stocks of lumber showed a seasonal increase of about two per cent between June and July and were about two per cent larger than last year.

Flour production was about as large in July as in June, but slightly smaller than in July last year. Minneapolis production and shipments were larger than in June, but the smallest July figures since 1910, with the exception of July, 1917. Outside mills reported a reduction in output of about four per cent between June and July, but their output was nearly 13 per cent larger than in July last year, according to the Northwestern Miller's figures.

Shipments of linseed products were about in the same volume in July as in June, which amounts to an improvement in linseed oil shipments and a slightly more unfavorable return for cake shipments, when the results are compared with the normal movement. Both products were about two-thirds of the normal volume for July, and oil cake shipments were one-fifth lower than last year, but linseed oil shipments were in about the same volume as last year.

Labor demand at Minneapolis, as evidenced by "Help Wanted" advertisements in a Minneapolis newspaper, showed a further decline as compared with normal during July, making a new low record in this respect. The curve of "Situations Wanted" fell off considerably from the peak reached in June, but the curve was still at a high level and much above the "Help Wanted" curve, indicating that labor conditions were still favorable to the employer.

Mining output in this district was nearly as large in July as in June, and the output of copper was nearly six per cent larger than in July last year, but iron ore shipments were two-fifths lower. If seasonal changes are eliminated, it is evident from carloading figures of the northwestern district that the slump in iron ore shipments has been halted, for shipments during the four weeks of July were all around the normal level after the marked decline during June from the high level of 1923.

Building permits increased one-third in valuation between June and July, which is more than the seasonal increase, but the total was almost one-third lower than that in July last year. The number of permits was nine per cent lower in July than in June and 11 per cent lower than a year ago in July. The effect of these changes on the curve of the average building permit, which is a rough test of business sentiment, was to raise the curve moderately during July, but allowing for seasonal changes and secular trends, the curve did not return to normal.

Housing conditions in Minneapolis continue adequate, although there was a slight decline in advertisements of "dwellings for rent" as compared with normal during July. The curve is still much higher than in the period from 1920 to the summer of 1923.

The abundance of funds in banks in the Northwest which has been developing throughout the spring and summer became more pronounced in July and the first half of August. At 25 selected member banks, loans declined nearly six millions during July, while time deposits increased three and one-half millions and demand deposits declined only one million dollars. This situation enabled these banks to increase their security holdings one-third of a million and to increase their reserves more than one million dollars. At the same time there was a slight increase in borrowings from this Federal Reserve Bank, but their total borrowings at the end of July were only one and one-half million dollars.

During the first two weeks of August, demand deposits increased six million dollars and time deposits increased one million dollars, while the seasonal increase in loans amounted to only three and one-half millions. With the additional funds, the banks increased their security holdings more than two millions, enlarged their reserve balances and vault cash two and one-half millions and paid off one million dollars of borrowings from this bank. On August 13 these banks were borrowing only one-half million dollars from this bank, as compared with borrowings of over 11 millions a year ago.

Interest rates at Minneapolis declined further during the month ending August 15, although usually there is an increase at this time, according to post-war experience. The weighted rate at three Minneapolis banks was 5.11 per cent on August 15, as compared with 5.22 on July 15 and 5.51 on August 15 last year.

A similar improvement has been taking place in the condition of commercial banks in the rural sections of this district. On June 30, our annual survey shows a reduction in the ratio between loans and deposits in every state in this district. The following table and accompanying maps show the progress of the improvement throughout the district:

RATIO OF LOANS TO DEPOSITS AT COUNTRY BANKS

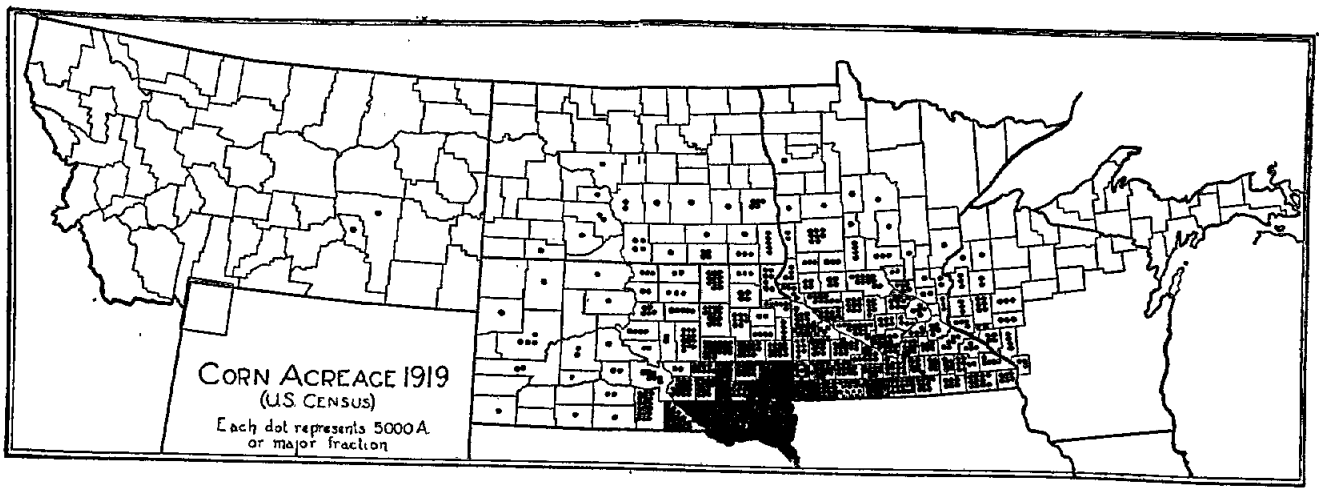
	June 30, 1922	June 30, 1923	June 30, 1924
Michigan	70	62	60
Minnesota	90	85	79
Montana	96	82	66
North Dakota	109	99	91
South Dakota	96	90	83
Wisconsin	88	81	78
Ninth Federal Reserve District	93	86	78

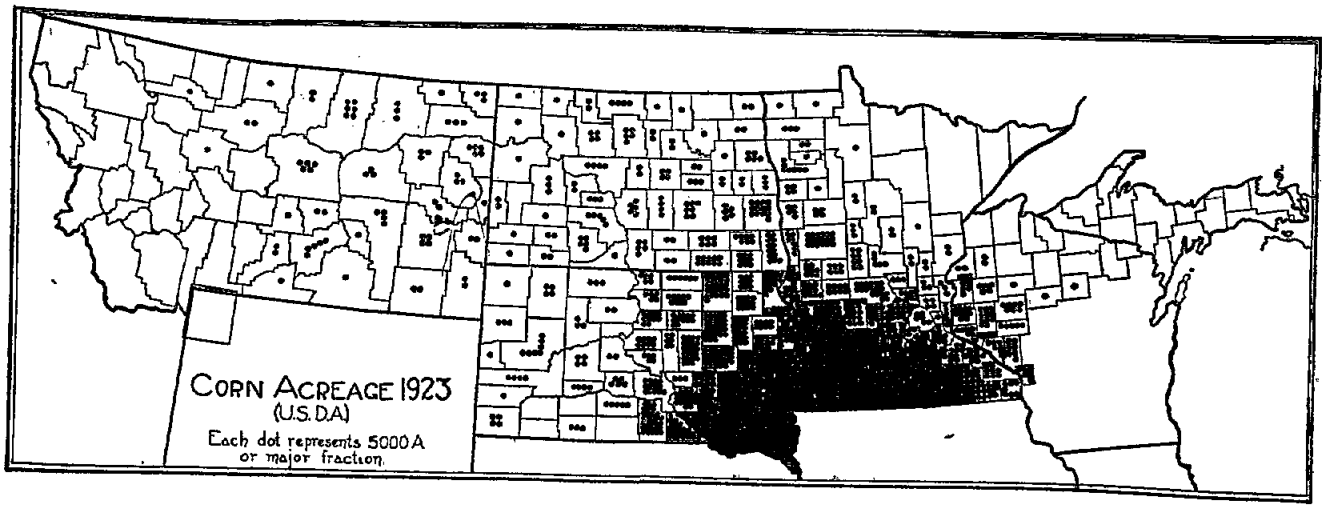
No doubt some of the improvement has been due to the consolidation of the business of weaker banks with that of stronger institutions, accompanied by the writing off of losses by stockholders, and to a smaller extent by depositors of the over-extended institutions; but the improvement has been marked even if this factor is discounted, for the records of individual banks in the great majority of cases show the same improvement as is shown in the state and county totals.

Savings deposits were slightly lower in Minneapois, St. Paul and Duluth on August 1 than on July 1, but Twin City savings deposits were one per cent larger than a year ago, and Duluth savings deposits

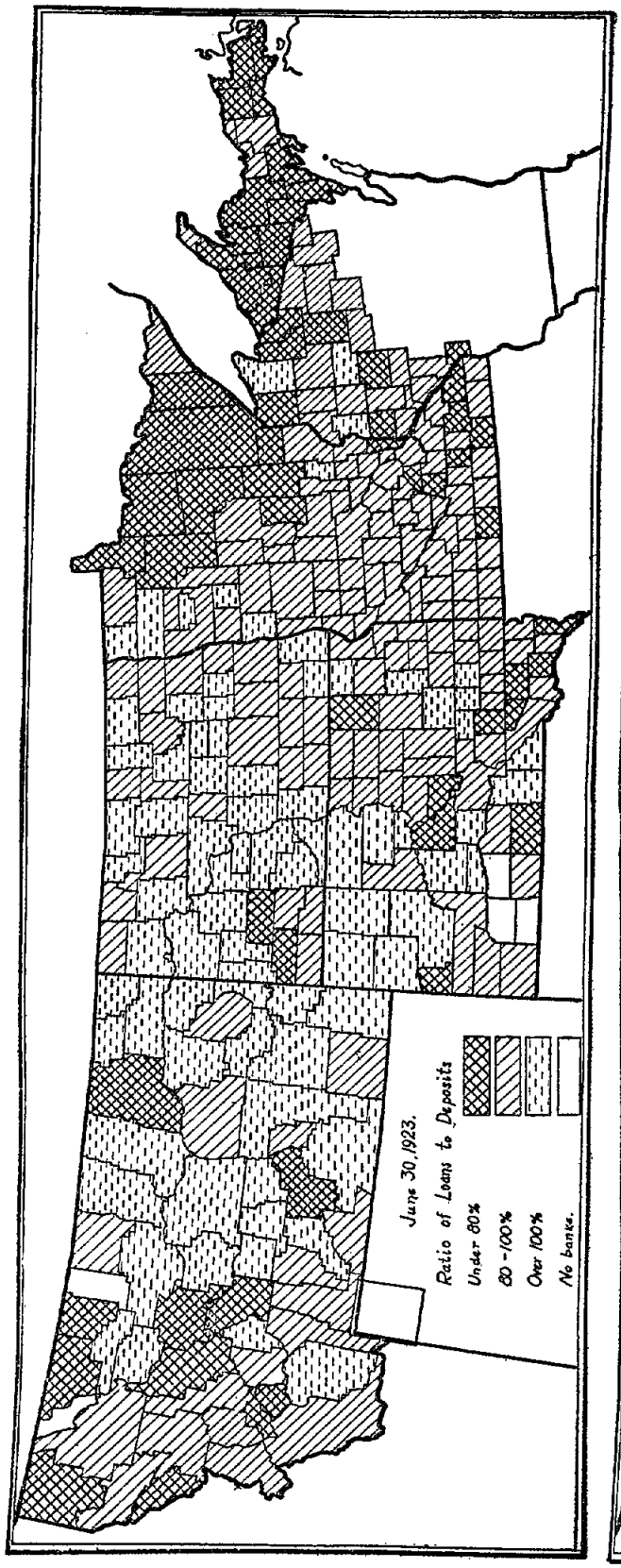
were six per cent larger. This increase over a year ago is more than accounted for by the larger number of depositors at reporting banks, and the average savings deposit was slightly smaller on August 1 of this year than a year ago, reflecting the change in employment conditions.

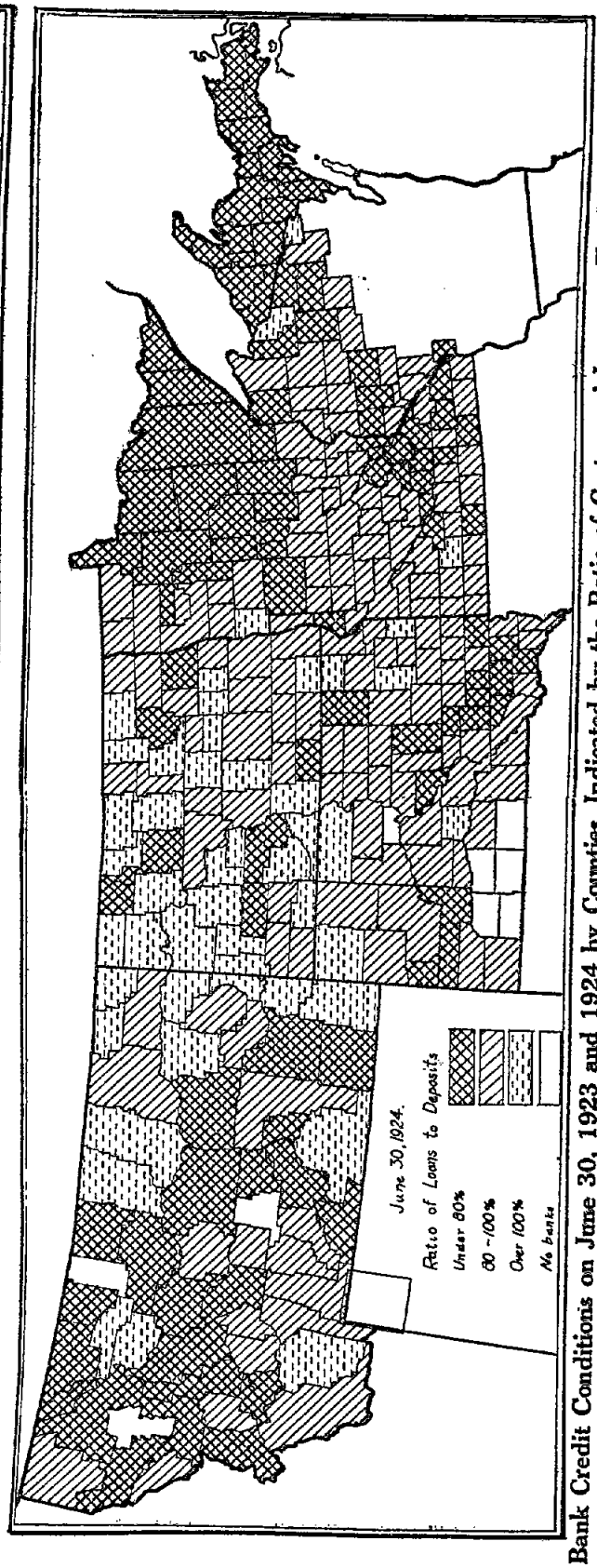
This Federal Reserve Bank experienced a small increase of one million dollars in borrowings from member banks during July, but a reduction of one and one-third millions during the first two weeks of August. Member bank reserve deposits increased two-thirds of a million in July and nearly three millions in the first half of August. During July Federal Reserve notes declined nearly two and one-half millions, cash reserves were drawn down more than three and one-half millions and a small decline in purchased bills was about offset by an increase in holdings of United States securities. During the first two weeks of August, there was a further decline of more than one and one-half millions in Federal Reserve note circulation, which does not imply a reduction in the volume of cash transactions in the district, for gold certificates were substituted for Federal Reserve note payments to a limited extent during this period. At the same time cash reserves increased slightly and security holdings were enlarged one and one-third millions in order to maintain earning assets at the July level.



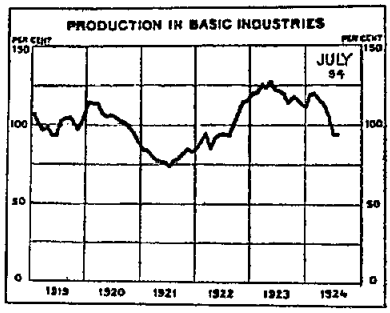


Corn Acreage in the Ninth Federal Reserve District in 1919 and 1923, Showing Areas Where the Corn Crop Has Increased in Importance.

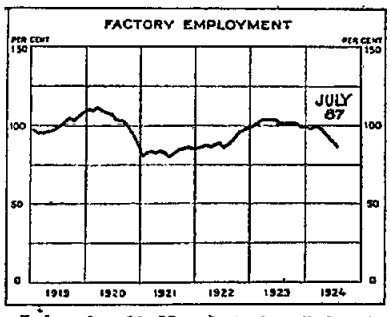




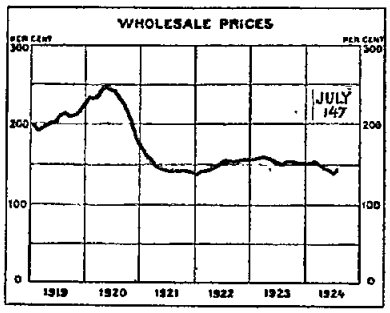
Bank Credit Conditions on June 30, 1923 and 1924 by Counties, Indicated by the Ratio of Customers' Loans to Total Deposits in Commercial Banks Outside of the Larger Cities. (Showing the Best Condition by the Darkest Shade.)



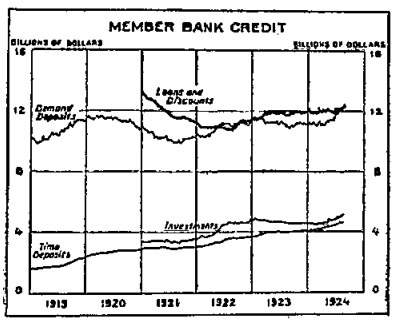
Index of 22 Basic Commodities corrected for Seasonal Variation (1919=100).



Index for 33 Manufacturing Industries (1919=100).



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



Weekly figures for Member banks in 101 Leading Cities. Latest Figures in Millions, August 14.

Loans and Discounts, 12,403; Demand Deposits, 12,425; Investments, 5,033; Time Deposits, 4,554.

Summary of National Business Conditions

(Compiled August 26 by Federal Reserve Board)

Production in basic industries, after a considerable decline in recent months, was maintained in July at the same level as in June. Factory employment continued to decline. Wholesale prices increased for the first time since early in the year, reflecting chiefly the advance in the prices of farm products.

PRODUCTION: The Federal Reserve Board's index of production in basic industries, which had declined 22 per cent between February and June, remained practically unchanged during July. Iron and steel and woolen industries showed further curtailment, while production of flour, cement, coal and copper was larger than in June. Factory employment decreased 4 per cent in July, owing to further reduction of forces in the textile, metal and automobile industries. Building contract awards showed more than the usual seasonal decline in July, but were 10 per cent larger than a year ago. Crop conditions, as reported by the Department of Agriculture, were higher on August 1 than a month earlier. Estimated production of nearly all of the principal crops, except tobacco, was larger than in July, and the yields of wheat, oats, rye and cotton are expected to be considerably larger than last year.

TRADE: Railroad shipments increased in July, owing to larger loadings of miscellaneous merchandise, grain, and coal. Wholesale trade was three per cent larger in June, owing to increased sales of meat, dry goods and drugs, but was 3 per cent smaller than a year ago. Retail trade showed the usual seasonal decline in July, and department store sales were one per cent greater, and mail order sales 7 per cent less than a year ago. Merchandise stocks at department stores continued to decline during July and were only slightly larger at the end of the month than a year earlier.

PRICES: Wholesale prices, as measured by the index of the Bureau of Labor Statistics, increased more than 1 per cent in July. Prices of farm products, foods and clothing increased, while prices of building materials again declined sharply and prices of metals, fuel and house furnishings also decreased. During the first half of August, quotations on corn, beef, sugar, silk, copper, rubber and anthracite advanced, while price of cotton, flour and bricks declined.

BANK CREDIT: Commercial loans of member banks in leading cities, owing partly to seasonal influences, increased considerably early in August. Loans secured by stocks and bonds and investments continued to increase, so that at the middle of August total loans and investments of these banks were larger than at any previous time. Further growth of demand deposits carried them also to the highest level on record. Between the middle of July and the middle of August Federal reserve bank discounts for member banks declined further and their holdings of acceptances decreased somewhat. United States security holdings increased, however, and total earning assets of Federal reserve banks remained practically unchanged. Continued easing in money rates in the New York market during July and early August is indicated by a decline of one-fourth of 1 per cent in prevailing rates for commercial paper to 3-3¼ per cent. After the middle of August there was some advance in open market rates for bankers' acceptances and short term government securities. During August the discount rate at the Federal Reserve Bank of New York was reduced from 3½ to 3 per cent and at the Federal Reserve Bank of Cleveland and of San Francisco from 4 to 3½ per cent.