CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

JOHN H. RICH, 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 public with accurate and impartial information concerning current business conditions in the Northwest. This report will be mailed free of charge to any responsible person who makes request for it.

SUMMARY

There was a remarkable improvement of business confidence in January on the part of both farmers and merchants based largely on the recent advances in the prices of agricultural products.

Live stock and corn moved to market much more rapidly in January and terminal elevator stocks at the end of the month were greater than a year ago for all grains except flax and barley. These additions to the market supply of agricultural products were more than offset by an improved demand. Prices rose for all grains except rye and for all live stock except butcher cows. Wool prices and sheep have had a large share in this advance.

Credit conditions have continued to improve. Market interest rates reflected this condition by a decline of about one-half per cent in the month ending February 15. Member banks have been paying off their borrowings at this bank. Savings deposits have increased. The investing public bought more securities in January with very satisfactory increases in the sales of farm mortgages and city mortgages, the sales of the latter being three times as large as a year ago.

Mid-winter dullness characterized January business in the Northwest. There was a substantial decline, on the average, below the December level of physical volume, but this decline has probably been no greater than a year ago and is known to be seasonal.

Buying as reflected in January retail sales of department stores fell 56 per cent below the Christmas trade level. Expected renewal of buying in the spring months is shown in the January dollar totals of wholesale sales of shoes and dry goods which were 50 per cent above a year ago. Buying power has not revived in farming sections as sales of agricultural implements have declined.

Building permits exhibited the customary January decline, but exceeded the figures of a year ago. Retail sales of lumber fell 26 per cent during the month, but equalled those of a year ago. Lumber retailers show no inclination to stock up heavily as total stocks are now 24 per cent below a year ago, although a small increase was shown during the month.

Manufacturing activity was much greater in January than in December, although somewhat below the totals of a year ago according to figures for flour produced, lumber cut, and the number of men employed in manufacturing establishments.

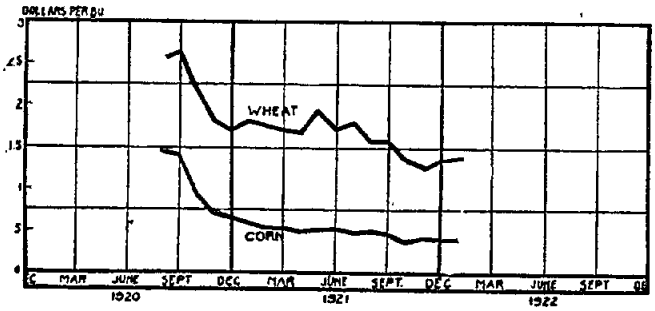
Business failures apparently reached their peak last November, when the crop results were known, for the January figures have not reached such record-breaking totals, although they are somewhat greater than in December, as should be expected in a month of inventory-taking.

A special investigation of creamery butter production in Minnesota made by us this month, indicates that there has been a very satisfactory increase recently in such production.

GENERAL SURVEY

There was a strong upward movement in Prices of the chief agricultural commodities of this district during the month of January. In the median prices of grains at the Minneapolis market, there were five increases and one decrease. The median price of flax was 28½ cents higher in January than in December and higher than at any time during 1921. Undoubtedly this increase was due to the decline in flax stocks in terminal elevators which had continued steadily since last June, and to the anticipation of a heavy demand for linseed oil by builders during 1922. The median price of wheat rose 6⅜ cents between December and January; barley was up 4 cents, and in spite of increasing stocks at Minneapolis and Duluth, corn moved up 1⅞ cents and oats rose 1¾ cents. Large stocks of rye, however,

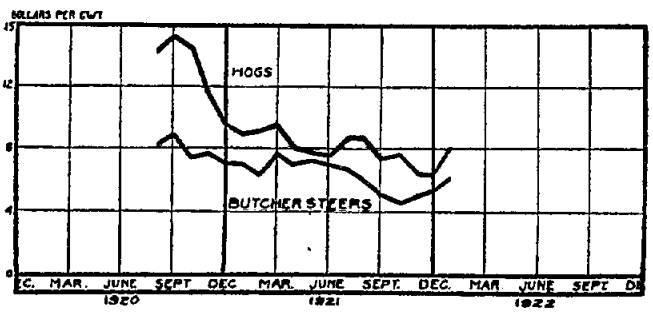
forced the median price of rye down 4 cents between December and January.



Median Wheat and Corn Prices

The price of Washburn-Crosby's best grade of flour increased 50 cents to $7.75 per barrel between January 1st and February 1st.

Livestock prices also showed important increases during January. The median price of butcher steers at South St. Paul rose 75 cents per cwt. between December and January. Stock and feeder steers rose 50 cents, hogs were up $1.50 and lambs up $1.00. There was a decrease of 50 cents in the median price of butcher cows. The median price of veal calves remained unchanged.



Median Livestock Prices.

In a selected list of fifteen important wholesale produce prices at Minneapolis, there were seven increases and only three declines during the month of January. Increases occurred in the prices of veal, dressed hogs, dried peas, potatoes, celery, tomatoes, and onions; while decreases took place in the prices of eggs, hens, and green beans.

Receipts of **Livestock** at South St. Paul were a fourth larger in January than in December, and a little larger than a year ago in January. Although normally January is the peak of hog receipts, receipts during January, 1922, amounting to 263,421 head, were not as large as receipts during November, 1921.

Shipments of feeders between December and January fell off a third with declines in all classes of feeders. As compared with a year ago, the January, 1921, feeder shipments showed a decline of 12 per cent, owing to marked declines in shipments of feeder hogs and sheep. It is encouraging to note that shipments of feeder cattle and calves continued during January to be larger than a year ago. Shipments of feeder cattle were up 80 per cent and shipments of feeder calves increased 49 per cent over a year ago.

Grain Stocks in elevators at Minneapolis and Duluth combined showed noteworthy changes during January. Grain stocks rose 5 per cent between the end of December and the end of January. There were increases of 2 million bushels in stocks of corn, 600,000 bushels in rye, and a smaller increase in oats. Wheat stocks declined 400,000 bushels to a total of 9,955,000 bushels. Barley stocks were down, and flax stocks in January amounting to 322,897 bushels were little more than half as large as stocks at the end of December. As compared with the end of January a year ago, flax stocks showed a reduction of 88 per cent and barley stocks were down 8 per cent. Stocks of rye, however, were thirteen times as large; corn stocks seven times as large; oat stocks two and one-half times as large as a year ago; and wheat stocks showed an increase of 14 per cent. The important increases in stocks of corn and rye which occurred during the month of January were largely caused by piling up of stocks of these grains at Duluth.

Grain Receipts at Minneapolis and Duluth declined 15 per cent between December and January, with declines in every grain except corn. Although corn receipts normally reach a peak in December, during 1921-22 there was a 21 per cent increase in corn receipts between December and January. Receipts of wheat during January amounted to only 8½ million bushels as compared with 11 million bushels in December and 11 million bushels a year ago. Corn receipts at Minneapolis and Duluth were up 111 per cent as compared with a year ago, but receipts of all other grains declined, causing a net decline of 8 per cent. The decline in grain receipts between December and January was due principally to a 39 per cent decline at Duluth where lake shipments have ceased for the winter and receipts of grain for export have consequently been greatly reduced.

The Financial Situation was easier in January. Loans declined, but less rapidly than during December. Further reductions, amounting to 12 millions, were made by customers in their borrowings from thirty-five selected member banks in eight of the larger cities of the Ninth Federal Reserve District. Of this total the Twin City banks' customers were responsible for 11 millions. Meanwhile demand deposits increased 2½ millions in Twin City banks, but were down almost 3 millions in banks in the other six cities whose banks report to us. Time deposits were down slightly in all of the cities. Deposits of savings banks increased.

The paying of loans at member banks afforded them the opportunity of reducing their borrowings at this bank more than 10 millions in January and an additional 3 millions in the first fifteen days of February. While borrowings from this bank were being reduced 13 millions in a month and a half, the War Finance Corporation paid out to banks in rural

sections of the Ninth Federal Reserve District 7 millions in January and 3½ millions in February or 10½ millions in the same month and a half. From November 7 when the War Finance Corporation commenced to make advances until February 15, a total of almost 25 millions has been advanced by this corporation.

Federal Reserve Notes in actual circulation declined 4½ millions during the month of January as compared with 5½ millions last January.

The reserve of this bank improved materially in the four weeks from January 4 to February 1, reaching the highest point since March 19, 1920. This increase and a coincident decline in note issues caused the percentage of reserve against deposits and Federal Reserve Notes in actual circulation to rise to 65.1 per cent on February 1.

Investments were made in larger volume during January than during December or during January a year ago. The greatest dollar amount of increase occurred in sales of municipals, farm and city mortgages, and foreign securities. Sales of city mortgages while not large in volume, almost doubled the December sales. As compared with a year ago, there were important increases in sales of municipals, farm mortgages, and corporation bonds. The 1921 sales of city mortgages were nearly three times the sales a year ago, and sales of stocks more than doubled; while there was a small decline in sales of foreign securities. During January, 1922, of the corporation bonds sold, 36 per cent were industrials, 33 per cent railway securities, and 30 per cent public utility bonds. Commercial paper outstanding in the Ninth Federal Reserve District increased slightly between December and January, but was one-third less than last year.

Interest Rates at Minneapolis declined on five important types of paper and there were no increases during the month from January 15 to February 15. Paper eligible for discount with the Federal Reserve Bank running from four to six months declined from 6½ to 6 per cent. Prime commercial paper purchased in the open market up to 90 day maturities declined from 5½ to 4¾ per cent. Bankers acceptances endorsed dropped from 5 to 4½ per cent and unendorsed dropped from 5⅛ to 5 per cent. Commodity paper secured by warehouse receipts declined from 7 to 6½ per cent.

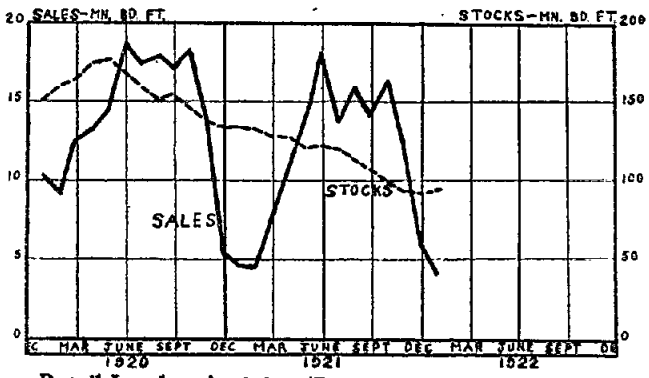
The balance sheet of the **Twelve Federal Reserve Banks** combined indicates that great improvement was made in the financial condition of the whole United States during the month of January. The rediscounts of the System representing emergency borrowings of member banks declined 312 millions between January 4 and February 1, a decline of 25 per cent. Reserves at the same time increased 52 millions and Federal Reserve Notes in circulation declined 227 millions.

Retail Trade during January fell off a half from December which included the Christmas peak of buying and the dollar amount of sales was a sixth less than in January, 1921. Stocks were a trifle lower at the end of January than at the end of December and the same date a year ago. With the smaller amount of business done and slowly declining stocks, the turn-over of the stores reporting declined considerably between December and January.

Wholesale Trade in shoes and dry goods increased materially during January, as a result of preparations by retailers for spring trade. Wholesale groceries also exhibited an increase between these two months; but hardware sales and sales of farm implements declined. As compared with a year ago, January, 1922, sales of dry goods and shoes increased a half; while sales of groceries, hardware, and farm implements declined.

Contemplated Building totaled less during January than during December but more than in January a year ago. The number of permits granted declined 25 per cent between December and January in nine cities of the Ninth Federal Reserve District and the estimated valuation of these permits declined more than 50 per cent between the two months. The volume of prospective building, however, continued to be larger than a year ago. New construction during the latter months of 1921 and during January, 1922, was of greater importance relative to repairs than during the early months of 1921 and the latter part of 1920. In spite of some declines in prices, the dollar values of the average permits both for new construction and for repairs were greater in January than the average during the year 1921.

Lumber Sales at Retail declined a fourth between December and January at six hundred retail yards from which reports are received, but January sales were slightly larger than a year ago. Stocks on hand while a fourth lower than a year ago, were larger at the end of January than at the end of December, indicating that retailers have commenced to sort up their stocks for spring business. Outstanding notes and accounts declined between December and January showing that lumber retailers have had some success in collections.



Retail Lumber Activity (Reports from 437 line yards.)

Lumber Manufacturers have been affected favorably by a continuation of building in large volume,

and by reduced wages in the woods. Also in preparation for spring trade, lumber retailers have had to increase their orders from manufacturers. The number of board feet of lumber ordered during January, 1922, was nearly double that of January a year ago, and shipments during January were more than double those of a year ago.

Flour Production in the Ninth Federal Reserve District during January was a fifth larger than during December, but was smaller than during January a year ago. At Minneapolis, where the ten year normal declined 7 per cent between December and January, the production in January, 1922, was 19 per cent larger than in December, 1921. Shipments of flour increased somewhat between December and January at Minneapolis, but declined 90 per cent at Duluth, owing to the close of navigation on the Great Lakes.

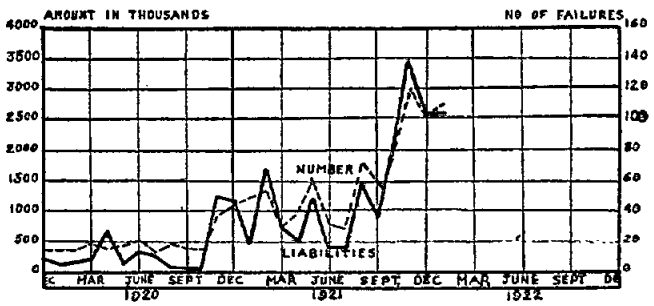
Shipments of Linseed Products declined between December and January and were somewhat below shipments in January, 1921. The shipments of linseed oil increased and shipments of oil cake declined during January as compared with December and with a year ago.

Employment increased in the Ninth Federal Reserve District during the month of January, although January and February are usually the months of lowest employment for this district. The total increase in the number of employed between January 1 and February 1, according to a survey made by this office of firms employing less than 500 men in Minneapolis and of mining and lumber companies in this district, was 8.2 per cent. For Minneapolis and St. Paul firms employing more than 500 men, the United States Department of Labor reported slight increases during January. The only industries showing a decrease in employment in the Ninth Federal Reserve District were mining companies in northern Minnesota and railroad repair shops of Minneapolis. The largest increase in employment for the month occurred in mining companies in Montana and Michigan, in lumber manufacturing companies, and in firms doing construction work. According to the United States Department of Labor report, the smaller cities also exhibited more favorable employment conditions in January than in December.

In comparing the total number employed by firms reporting to this office on February 1 of this year with the corresponding date of last year, it appears that there has been a reduction of 20 per cent in employment between the two dates. This decrease was shared by all industries except those affiliated with construction activities and luxuries and miscellaneous manufacturing. The heaviest decrease in employment as compared with last year was reported by mining companies of northern Minnesota who were employing less than one-half as many men on February 1 of this year as compared with February 1, 1921.

The Volume of Payments by Check in twelve important cities in the Ninth Federal Reserve District declined 12 per cent between December and January. A year ago between December and January there was a decline for the twelve cities combined of 11 per cent, January payments in 1922 as compared with the same month a year ago showed a decline of 22 per cent. This decrease is due to the lower prices now prevailing.

Business Failures in the Ninth District during January as reported by Dun's Review, increased both in number and liabilities over December, but did not reach the total of November, 1921. During January there were 109 business failures with liabilities amounting to $2,597,637. The January, 1922, business failures doubled in number and quadrupled in liabilities those of January, 1921.



Ninth District Business Failures (Dun's Review.)

Butter Production in Minnesota was one-third larger during January than during the same month last year and there was a slight increase in January over the December production. Farmers patronizing the creameries which report to us received 12 per cent less for their products during January than during either December or January a year ago.

The annual production of butter by these creameries for 1921 was 21 per cent larger than their 1920 production and 4 per cent larger than their 1919 production. The sixteen creameries from which we receive reports manufactured 26 per cent of the butter produced in Minnesota during 1919.

Production of Butter (in pounds)

	Year 1921	Year 1920	Year 1919
16 Minnesota creameries	38,452,307	31,798,730	36,949,498
State of Minnesota	.....	.....	143,176,204
	Jan. 1922	Dec. 1921	Jan. 1921
16 Minnesota creameries	1,864,269	1,713,849	1,391,839
Payments to patrons by these creameries for milk, cream, etc.	$534,915	$589,585	$592,241

The Cost of Living in the Ninth Federal Reserve District declined 3.5 per cent between January 1 and February 1 and there was a total decline of 15 per cent between January 1, 1921, and February 1, 1922. On February 1, 1922, the cost of living at Minneapolis was .9 per cent lower than on January 1 and 14.2 per cent below January 1, 1921.