

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

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TO THE

FEDERAL RESERVE BOARD

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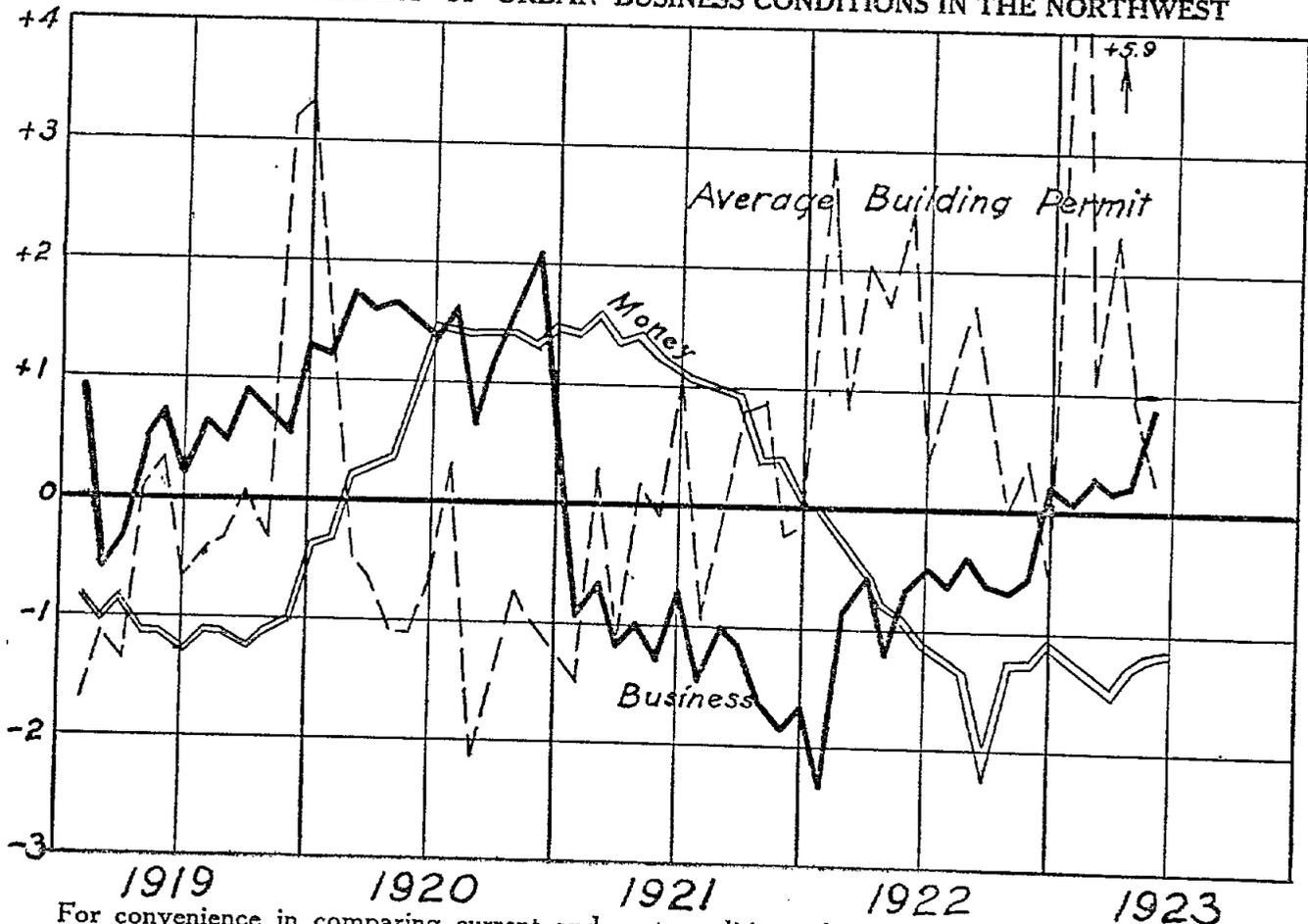
101st Report

MINNEAPOLIS, MINN.

June 28, 1923

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.

GRAPHIC SUMMARY OF URBAN BUSINESS CONDITIONS IN THE NORTHWEST



For convenience in comparing current and past conditions, three important indices of business conditions in urban centers of this district have been combined in one chart this month. The curves shown were constructed as follows:

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. Nine representative cities for which we have consecutive figures are combined in this curve.

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. The variation of building material prices, as compared with 1913 levels, has been eliminated in constructing this graph.

Money: Commercial money rates have been averaged for 13 varieties of paper in Minneapolis. National rather than local business conditions determine this rate, but it is an important consideration in local enterprise.

These curves have been constructed from data collected by this office and adjusted to eliminate seasonal influences except for money rates. Further adjustment in these curves for seasonal or secular trends appears to be inadvisable as data now available do not cover years prior to 1919. The curves shown were constructed substantially by the method described on page 7 of our March 28 report.

DISTRICT SUMMARY FOR THE MONTH

Crop production prospects in this district, when compared with a year ago, are much better for corn, flax, barley and oats than for spring wheat, winter wheat, rye, and white potatoes. June 1 reports of the Department of Agriculture indicate that there will be a reduction in production of one-third in rye, one-fourth in spring wheat and winter wheat, and one-eighth in oats as compared with 1922 crops. June 20 reports received from bankers in important producing counties indicate increases of 10 per cent. in corn and 20 per cent. in flax and a decrease of 15 per cent. in white potatoes; also that rye yields will fall below 10 bushels in North Dakota, but above 15 bushels elsewhere in this District. Rains during the 10 days ending June 25 were quite general, totaling over 6 inches in important points of Montana, North Dakota and Minnesota. The reduction in spring wheat is to be accounted for only in small part by a reduction in acreage planted, there having been about one million acres less in the four states of this District, or 7 per cent. less than the acreage of June 1 a year ago, all states participating in this reduction except Montana. Of this cut in acreage, practically all was in durum wheat, which, together with rye, must look to export for a large part of its market.

Prices at terminal markets declined for all the grains except corn, and increased for the majority of varieties of livestock. Hogs declined \$1.00 per hundredweight, but lamb prices were very strong. The movement of these agricultural products to market was above normal for wheat, rye, flax, hogs,

calves and cattle. This heavy marketing movement has been an important influence in determining current prices. Although grain stocks in terminal elevators declined during the month, they are considerably larger than a year ago, increases taking place in rye, wheat and barley.

Retail sales of general merchandise and lumber were not only greater than a year ago, but increased more than the normal seasonal amount for this time of the year. This has led to purchases by retailers from wholesalers greater during the month for all lines except dry goods, the sales of shoes and agricultural implements showing the largest increases and being particularly better than what appears to be seasonal.

Manufacturing continues at a level well above a year ago, gains being greatest in lumber cut by manufacturers, and in shipments of linseed oil and oil cake. As compared with a month ago, flour production, flour shipments, lumber cut and linseed oil shipments all show increases, but the increases were less than normal for this season. The only decrease shown was in shipments of linseed cake.

Mining activity remained unchanged, except that iron ore shipments by lake commenced, and quadrupled those of last year in May.

Lake navigation opened later than usual this year. Grain shipments from the Duluth-Superior Harbor have been well above a year ago in the case of wheat, although less in the case of rye. Coal receipts at the Duluth-Superior Harbor from the opening of navigation to the end of May were larger than the five-year average and much larger than in 1922. Eastbound tonnage passing through the Soo Canal during May was more than double, and westbound eight times greater, than a year ago.

The volume of general business which is most easily measured by individual debits increased more than 6 per cent. during the month of May, although normally there should probably be a decline. Indeed, the actual volume has exceeded all former records for the month of May except that of 1920. It appears that the greater strength shown in retail trade and in the marketing of grain and livestock accounts for this increase, in spite of some declines in manufacturing as well as in prices.

Projected building activity, as shown by permits granted, increased during the month, as compared with normal seasonal trends based on the experience of the past four years. However, the number and valuation of permits was less than a year ago for the same month. If allowance be made for price changes, the total valuation will be found below both last year and a month ago.

Stocks of lumber manufacturers are about one-sixth smaller than a year ago, although there has been some slight increase during the past month. Stocks of lumber and general merchandise held by

retailers declined during the month, although remaining higher than a year ago.

Financial conditions as reflected by changes in the balance sheets of selected banks in the larger cities show that there was an influx of money funds of about 10 million dollars net during the last half of May, of which the greater part was due to loan reductions and certain tax collections, and of this about 9 million dollars was utilized during the first half of June to meet the steady decline in deposits which has been almost continuous since the end of January, and to reduce borrowings considerably at this Federal Reserve Bank.

Interest rates increased slightly, according to the average computed by this office for 13 standard varieties of paper handled in the Minneapolis market during the month ending June 15. This was due largely to commercial influences, as the cattle loan rate meanwhile declined one-fourth per cent.

TOPICAL REVIEWS

The 1923 spring wheat acreage for the four states wholly contained in the Ninth Federal Reserve District, as estimated by the United States Department of Agriculture on June 1, was 7 per cent. less than a year ago. North Dakota led in the reduction, with

787,000 acres less than last year. Reductions in Minnesota and South Dakota increased the total to 1,201,000 acres. Montana acreage was the same as a year ago. The acreage planted to rye in this district is also smaller than a year ago, but oats and barley acreages have been increased.

June forecasts of production for small grains show less than the final estimates for 1922 in every instance. The forecasts and estimates are shown in the table below:

Crop conditions in general were favorable on June 15, all grains showing a healthy color and a good stand, with fields free from excessive weed growth and moisture content of the soil generally sufficient. The stand of rye was the most prominent exception, being very spotty and generally poor, which will probably result in even further abandonments. Flax and fodder corn were still being seeded in the northern half of the district, except north central North Dakota, where the soil was too dry. Dry regions were local in area and not numerous, as local showers have relieved the lack of general rains. Grasshoppers have appeared in some North Dakota and Montana sections, but as the county authorities are preparing to combat the pest with a better organization than a year ago, the resultant damage should be less than last year.

JUNE 1, 1923 CROP ACREAGE ESTIMATES AND 1922 ACREAGE BY STATES†

(000's omitted)

	Durum and other Spring Wheat Acres		Oats Acres		Barley Acres		Rye Acres	
	1923	1922	1923	1922	1923	1922	1923	1922
Minnesota	1,972	2,241	3,884	3,846	904	886	1,027	1,154
Montana	2,713	2,713	612	600	82	77	90*	126
North Dakota	7,953	8,740	2,507	2,388	1,361	1,008	1,217	1,581
South Dakota	2,748	2,893	2,448	2,400	999	951	230	258
Total	15,386	16,587	9,451	9,234	3,346	2,922	2,564	3,119

*Estimated in this office.

JUNE 1, 1923 CROP PRODUCTION FORECASTS BY STATES AND 1922 ESTIMATES†

(000's omitted)

	Durum & other Spring Wheat Bushels		Winter Wheat Bushels		Oats Bushels		Barley Bushels		Rye Bushels	
	1923	1922	1923	1922	1923	1922	1923	1922	1923	1922
Minnesota	20,057	25,345	1,387	1,611	128,621	142,746	22,085	24,062	16,262	21,926
Montana	41,048	39,881	5,439	6,369	18,654	19,200	2,083	1,925	1,209	1,827
North Dakota	82,107	123,234	*	*	59,566	78,804	25,722	25,704	13,764	24,506
South Dakota	30,228	38,188	539	1,824	73,440	74,400	23,476	21,896	4,093	7,902
Total	173,440	226,648	7,365	9,884	280,281	315,150	73,366	73,587	35,328	56,161
9th F. R. Dist.	173,522	221,202	8,077	10,614	303,929	341,874****

*Not reported.

JUNE 1, 1923 and 1922 CROP CONDITIONS EXPRESSED AS PERCENTAGES OF NORMAL†

	Durum & other Spring Wheat		Winter Wheat		Winter Rye		Oats		Barley	
	1923	1922	1923	1922	1923	1922	1923	1922	1923	1922
Minnesota	88	92	75	83	78	85	88	93	90	93
Montana	89	94	76	88	78	79	91	93	91	96
North Dakota	89	89	*	*	78	83	88	92	90	90
South Dakota	91	92	60	85	75	75	91	90	92	92

*Not reported.

†Figures reported by U. S. Department of Agriculture Statisticians.

The amount of moisture required during the growing season this year will in many sections be greater than that of a year ago. The late spring and high wages demanded by farm help when conditions permitted working the land, caused many farmers to sow their fields as quickly as possible and without additional hired help. Many fields of grain were stubbled in, and it is a well known fact that in a dry season this type of poor farming quickly shows the effects of a drouth.

Latest crop reports: On the basis of reports received from 160 representative bankers covering conditions on June 20 as compared with last year, we summarize:

Corn: Acreage increased 10 per cent. in the principal corn raising areas comprising eastern South Dakota, southern Minnesota, and the southern Wisconsin counties in this district, reports being received from 82 counties in this territory. North Dakota acreage increased slightly in the southern counties, but remained the same in the northern counties. Montana's corn acreage is very much larger, although the total acreage is small. Montana counties report increases ranging from 25 to 1,000 per cent.

Flax: Reports from 86 counties in the principal flax growing territory comprising northeastern Montana, all of North Dakota, except the Missouri Valley, northeastern South Dakota, and western and southern Minnesota, indicate fully a 20 per cent. increase in acreage over last year. Several counties report large increases, ranging from 150 to 400 per cent., and there are very few counties which show less than a 10 per cent. increase. Elsewhere in this district flax acreage is unchanged.

White potatoes: Forty-four counties in the principal producing territory in this district comprising North Dakota and Minnesota counties which border on the Red River, northeastern South Dakota and central Minnesota report a 15 per cent. decrease in acreage. There are also decreases in other sections of this Federal Reserve District, with the exception of southern South Dakota and southern Minnesota, where the acreage is unchanged.

Rye: In eastern Montana, all of North Dakota, northwestern Minnesota and northern South Dakota, the condition of rye is very poor, estimated at from 0 to 12 bushels per acre., and more largely from 8 to 10 bushels. In the remainder of Montana, the condition is from fair to good and will probably yield from 15 to 30 bushels. In southeastern South Dakota, southern Minnesota and the producing sections of Wisconsin which are included in this Federal Reserve District, the condition is from good to excellent, and the majority of yields estimated range from 12 to 30 bushels with an average of about 20.

Prices of the chief products of the farm at terminal markets showed mixed tendencies during May.

The majority of the grain medians declined and the majority of livestock median prices increased, but it should be noted that livestock prices were weak at the close of the month.

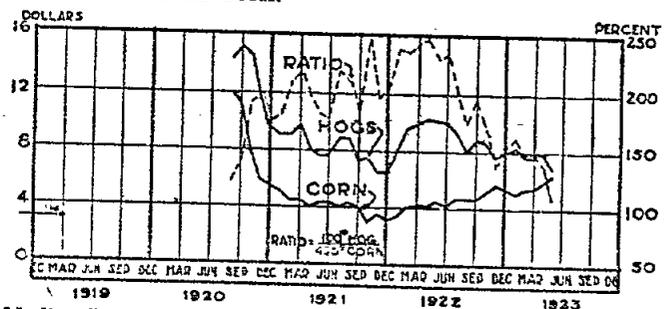
The most important development for the farmer in grain prices was the increase in the median price of corn from 73 to 79½ cents between April and May. All of the other grain prices declined. The larger receipts of flax, induced by the exceptionally high prices prevailing, broke the price of flax 40 cents during the month. The median price of rye was down 8 cents, wheat was down 2 cents and there were smaller declines in the median prices of oats and barley.

The median price of butcher cows and heifers for May, \$6.00, shows a 25 cent increase over April, but prices were off the same amount at the end of the month. The median price of butcher steers rose to \$8.25, doubling the gain made by butcher cows and heifers. Prices were firm to strong as the month closed. In both of these classes dry-fed cattle were at a very distinct premium over grass-fat animals.

The price range for stockers and feeders narrowed somewhat during May, but the median price was unchanged. Prices were steady throughout the month, but the trade was slow, demand being light and the supply small.

The unusually heavy receipts of veal calves during May were disposed of at better prices than the smaller receipts of April. The median price rose 50 cents, to \$7.50. Prices receded sharply at the end of the month.

Hog prices continued to decline during May, the median for the month being \$6.90, one dollar per hundred weight less than for April. The steadiness of the hog market at the end of May was induced by packers freely purchasing the continued heavy offerings, on account of a broad domestic and foreign demand. Heavy hogs, especially sows, are being culled from the herds, as present prices of corn and hogs do not leave the hog raisers a satisfactory margin of profit. On the basis of May median prices for corn and hogs, the pork producer had an estimated margin of but 8 per cent. to cover all costs of labor and marketing and all feed other than corn.



Median Price of Hogs per 100 Pounds and of Corn per 450 Pounds and Ratio Between the Two Prices. (Hog Prices at South St. Paul; Corn Prices at Minneapolis.)

The median price of lambs rose 75 cents, to \$13.00, but prices were weak at the close of the month. During May, packers were again obliged to ship in direct in order to supply the local trade. The high for the month, \$15.00, was a new high for the year and the highest since May a year ago.

Livestock receipts at South St. Paul were marked by exceptionally heavy receipts, for this season, of hogs and calves. Receipts of calves in particular were very much above normal and the total for the month, 64,587 head, was the largest volume of receipts for any month during recent years. Cattle receipts were slightly above normal and showed a small increase, although normally there is a seasonal decline. Receipts of sheep were again sub-normal and showed a seasonal decline. As compared with last year, receipts of calves and hogs were higher, but cattle and sheep receipts were lower.

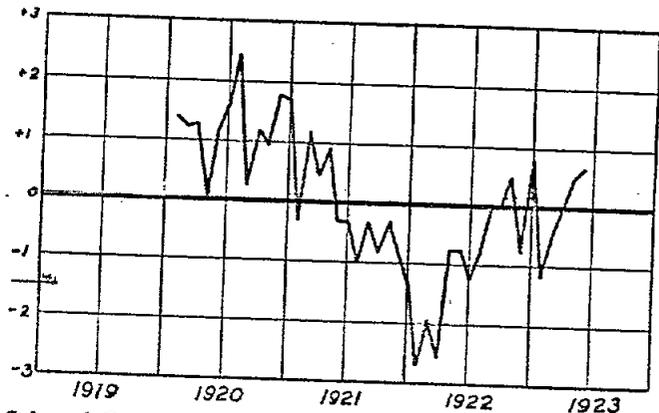
Shipments of feeder stock increased between April and May on account of larger shipments of feeder calves, hogs, and sheep and shipments of cattle nearly as large in May as in April, but the totals were not large, as is customary at this time of year. Shipments of feeder hogs were larger in May than a year ago, but shipments of feeder cattle and calves were somewhat smaller and feeder sheep shipments were very much smaller than a year ago.

Grain receipts at Minneapolis and Duluth-Superior were one-fourth smaller in May than in April, with all grains except flax showing declines. The decline was seasonal in the case of oats, according to the experience of the last ten years, but a slight increase is a normal occurrence at this time for the other grains. Receipts of wheat and rye continued to be above the ten year average and receipts of oats and barley remained below this average. Flax receipts, on the other hand, were larger than the ten year average, after several months of almost continuous sub-normal receipts. Receipts of corn were in small volume, as has been the case throughout this crop year. As compared with May last year, flax receipts were larger and wheat receipts were practically the same, but receipts of the other grains were much lower, especially corn and oats. Shipments from Duluth-Superior again reached important totals with the opening of lake navigation. The movement of wheat and rye was especially notable, and the wheat movement was larger than a year ago at this time, but the movement of rye was smaller.

Grain stocks at terminal elevators in Minneapolis and Duluth-Superior were one-fourth lower at the end of May than at the end of April, but more than one-fourth larger than at the end of May last year. The decline during May was accounted for principally by lower stocks of wheat, oats and rye and there were also declines in stocks of corn and barley. Flax stocks increased. Corn and flax stocks

were very small at the end of May. As compared with a year ago, stocks of wheat were three times as large, stocks of rye were nearly twenty-seven times as large and stocks of barley more than twice as large, but other grain stocks were lower.

Retail sales of general merchandise and of lumber showed changes between April and May which amounted to good increases when purely seasonal influences are eliminated. General merchandise sales were 1 per cent. smaller in May than in April, but the normal decline is slightly more than this. Retail lumber sales were 40 per cent. larger in May than in April, while normally the increase would be about 30 per cent. Both general merchandise and lumber sales were somewhat larger than in May last year. Purchases by retailers from wholesalers and manufacturers showed varying trends during May. Sales of shoes were one-fourth larger and sales of agricultural implements were one-tenth larger than in April and there were smaller increases in purchases of groceries, hardware and lumber. Dry goods purchases were 9 per cent. lower in May than in April. While it is not possible to compute the normal seasonal movement with the figures at hand, it may be worth while to compare the changes in volume of purchases between April and May, 1923, with the changes a year ago. The increases between these two months were larger in 1923 than in 1922 for shoes and agricultural implements, but smaller for groceries, hardware and lumber and the decline in purchases of dry goods in 1923 is in contrast with an increase a year ago. Comparing purchases during the month of May with purchases a year ago, it is found that purchases of shoes were 40 per cent., hardware 13 per cent., and groceries less than 8 per cent. larger, while there were decreases of from 10, to 20 per cent. in purchases of dry goods, agricultural implements and lumber. Retail stocks of goods were slightly lower at the end of May than at the end of April for both general merchandise and lumber and somewhat larger than a year ago for both groups.



Sales of General Merchandise at Twenty-four Stores in the Ninth Federal Reserve District, Adjusted by Elimination of Seasonal Influences.

Mining output in this district was about as large in May as in April for copper and silver; iron ore shipments down the lakes were again important; and there was a decline of one-fifth in coal production. As compared with last year, the May output of copper and silver was about the same, but iron ore shipments were more than four times as large. No coal was extracted in May a year ago.

Manufacturing gave further signs during May of the reduction in activity which was first noticed in April. There was a decline of more than 2 per cent. in the output of flour mills in this district, as compared with an average increase between these two months in the last four years of about 6 per cent. Flour shipments showed an increase of 26 per cent. between April and May, as compared with increases of 31 and 43 per cent. in 1921 and 1922. Shipments from the Duluth-Superior Harbor were responsible for a larger percentage of the May increase than in either of the two preceding years. Linseed oil shipments increased 14 per cent between April and May, as compared with an increase of 31 per cent in 1922 and a decrease of 10 per cent. in 1921. Linseed cake shipments declined 37 per cent. between May and April, as compared with an increase of 7 per cent. in 1922, and a decrease of 13 per cent. in 1921. In lumber manufacturing, the cut of lumber increased 3 per cent. in May over April, as compared with increases of more than one-third in each of the last two years. Lumber shipments were 19 per cent. larger in May than in April, as compared with an increase of 28 per cent. in 1922, but the increase in shipments this year compares favorably with 1921, when there was a decrease of 3 per cent. Lumber stocks increased almost 7 per cent., which was a larger increase than in either of the two preceding years. As compared with last year, flour output was 3 per cent. larger and lumber cut was 28 per cent. larger, but shipments of both flour and lumber were slightly smaller. Linseed oil shipments were nearly one-fourth larger in May than a year ago and linseed cake shipments were more than twice as large. Manufacturers' lumber stocks were 17 per cent. lower than a year ago.

Receipts of coal at Duluth-Superior during May were very satisfactory in volume. These receipts amounted to 1,626,628 tons of soft coal and 205,716 tons of hard coal, making a total of 1,832,344 tons. From the opening of navigation until the end of May, 1922, only 133,702 tons of all coal were received and for the period ending May 31, during the five years before 1922, the average receipts were only 1,288,146 tons. This satisfactory early season record was made in spite of the fact that the shipping season did not open in April this year as usual.

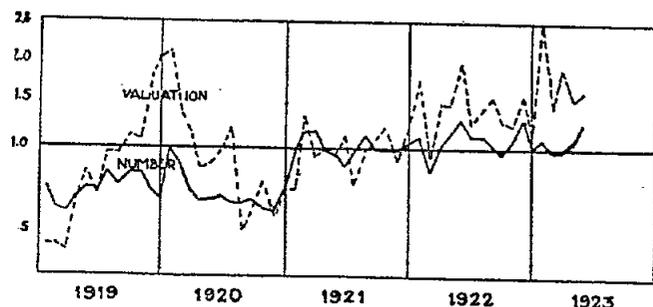
The volume of business in the Northwest as measured by debits to individual accounts at all banks in nine cities showed a notable increase of

more than 6 per cent. between April and May, although normally there is a slight decline. The volume of business as indicated by these figures was 8.7 per cent above our estimated normal for the month as compared with a volume of 2.2 per cent. above normal in April. The May volume this year was larger than the volume in May of 1919, 1921 and 1922 and was only 6.3 per cent. lower than the volume in May, 1920, which was the peak year in the dollar amount of business in this territory.

The volume of traffic through the Soo Canal furnishes a good index during the lake shipping season of northwestern receipts from and shipments to the eastern states and foreign countries. During May, 1923 two and one-half times as many tons of merchandise were shipped East as a year ago and more than eight times as many tons came West. The increase in westbound traffic was accounted for largely by the large increase in shipments of coal and the larger eastbound shipments were due to a larger volume of iron ore, wheat and copper going down the lakes.

Business failures in the Ninth Federal Reserve District, as reported by Dun's Review, showed an unexpected increase in liabilities to \$3,976,970, the largest total for any month in recent years. This total was nearly five times as large as that in April and nearly three times as large as the total in May a year ago. There was not a corresponding increase in the number of failures, indicating that a few large firms were responsible for the large total of liabilities in May. The number of failures in May was 77, or an increase of 1 per cent. over April and a decrease of 2 per cent as compared with May a year ago.

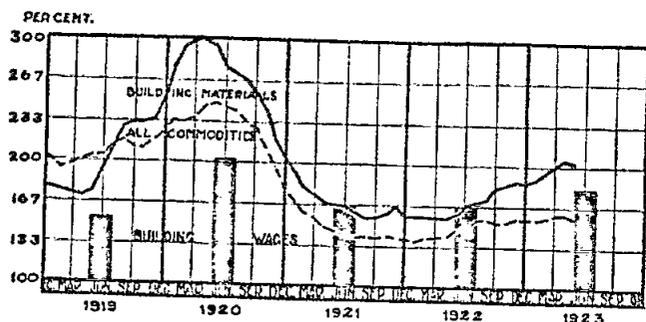
Building permits in this district showed a decline of 8 per cent. in valuation and an increase of more than 8 per cent. in number between April and May. In eighteen cities of this district, the normal occurrence at this time of year, judging from the experience of the last four years, is for both number and valuation of permits to decline, but the valuation of permits this year did not decline as much as is normal and the number increased. Consequently, the curves for number and valuation of building permits, adjusted to eliminate seasonal influences, rose. As compared with last year, the May totals



Building Permits in Eighteen Cities, Adjusted by Elimination of Seasonal Influences.

were 4 per cent. lower for number and 20 per cent. lower for valuation. It should be remembered, however, that the May totals a year ago were the largest for any month in that year. As shown elsewhere in this report, the size of the average building permit has been declining from the January peak.

A truer picture of the volume of prospective building is obtained if price changes are eliminated. The building price index, as computed by the United States Bureau of Labor Statistics, using the year 1913 as a base of 100 per cent., was 202 in May, 1923, as compared with 204 in April and 160 a year ago. Using these index numbers to bring the valuation of building permits granted to a 1913 basis, it is found that the valuation of permits in May was 7 per cent lower than in April and 36 per cent. lower than in May a year ago. During the five months, from January to May of this year, the valuation of permits granted in these cities was 14 per cent less than last year. The number of permits granted for these five months was 3 per cent. less than last year.



Wholesale Prices of All Commodities and of Building Materials. (Index Computed by United States Bureau of Labor Statistics—1913 Equals 100.)
Building Wages at Fourteen Minnesota Cities

Financial developments in the Northwest during May and the first half of June have been largely determined by the effects of tax payments and government financing. During May, twenty-nine selected city member banks experienced a decline of more than 9 million dollars in loans, accompanied by a decline of 1 million in time deposits. Demand deposits increased nearly 1½ millions. However, if 8 millions in tax payments which were temporarily placed in some of these banks were deducted, there would have been a decline in demand deposits of at least 6½ millions. Government financing is reflected by the rise of 3 millions in United States security holdings, a decline of 1

million in other securities and an increase of 3 millions in borrowings from this bank. During the first two weeks in June these banks experienced an increase of 1½ millions in loans and decreases of 1 million in time deposits, 2 millions in demand deposits, nearly 1 million in security holdings and nearly 5½ millions in borrowings from this bank.

Savings deposits at Minneapolis, St. Paul and Duluth followed the trend of time deposits and decreased slightly during the month of May, but these deposits were nearly 13 per cent. larger than a year ago.

Commercial paper outstanding in this district declined 15 per cent. during May, as is usual at this time of year.

Interest rates at Minneapolis showed a slight increase in customary rates during the month ending June 15. This was caused principally by an increase of one-fourth per cent. in four to six months prime customers' paper and an increase of one-fourth per cent. in three to six months paper secured by stock exchange collateral. Increases of one-eighth per cent. in prime commercial paper running four to six months and in unendorsed bankers' acceptances were offset by decreases of one-eighth per cent. in shorter time commercial paper and endorsed bankers' acceptances. The customary cattle loan rate was reduced one-fourth of one per cent.

This Federal Reserve Bank experienced in May an increase of more than 4 millions in borrowings by member banks, which was participated in by banks in all the states in this district. At the same time member bank reserve deposits increased 1 million and holdings of purchased bills were reduced more than 1 million and security holdings were reduced one-third of a million. Federal reserve notes in circulation declined more than 1½ millions during the month, with all denominations showing some decline except that of the thousand dollars. The five dollar denomination showed the largest percentage of decline. These changes caused a decline of more than 3½ millions in cash reserves. During the first two weeks in June there was a decline of 2½ millions in bills discounted, accompanied by a decline of 4 millions in member bank deposits and 1 million in other deposits, which necessitated a reduction in security holdings of 1½ millions and lowered cash reserves more than 1 million. Federal reserve notes in circulation remained unchanged.

Summary of National Business Conditions

(Compiled June 26 by Federal Reserve Board)

Production and shipment of goods continued in heavy volume during May, the volume of employment was sustained and many wage advances were reported. Wholesale commodity prices declined during May and the early weeks of June.

PRODUCTION: Production of iron and steel, cement and petroleum was larger in May than in any previous month, and mill consumption of cotton was close to maximum. The high level of production in these industries, together with increases in practically all other reporting lines, is reflected in an advance of 2 per cent. in May in the Federal Reserve Board's index of production in basic industries. In the building industry there was a further decline in principal cities in the value of permits granted which represent prospective building operations. Contract awards, however, which represent actual current undertakings, continued to increase, though declines are reported in the New York and Chicago districts.

The industrial activity has been accompanied by a slight increase of employment at industrial establishments. The demand for labor was also reflected in a larger number of wage advances during the 30 day period ending May 15, than in any earlier month this year and average weekly earnings in all reporting industries increased by 3.8 per cent. The advances were most general in the cotton, steel, meat packing, and sugar refining industries.

In agriculture the condition of both winter and spring wheat is reported less favorable than a year ago, while the condition of the cotton crop is slightly better than last year, owing entirely to more favorable growing conditions in Texas. Shortage of farm labor is reported from most sections of the country.

TRADE: Active distribution of commodities is indicated by heavy movement of merchandise and miscellaneous freight, and car loadings continue to exceed all previous records for this season. In certain lines of trade a decline in the volume of manufacturers' orders for future delivery is reported. The volume of both wholesale and retail trade was larger in May than in April. Among the wholesale lines sales of meat, hardware and shoes showed particularly large increases, while sales of clothing and dry goods decreased. The Federal Reserve Board's index of wholesale trade which makes no allowance for seasonal changes, was 5 per cent. higher than in April and 14 per cent. higher than a year ago. Sales of department stores increased about 8 per cent. in May, and all reporting lines of chain store business reported increases. Mail order sales were 6 per cent. less than in April, but were larger than in any previous May.

WHOLESALE PRICES: Price declines were reported during May and the first three weeks of June for a large number of commodities. All of the nine groups in the Bureau of Labor Statistics index, except food and house furnishings, show decreases for May and the average for all commodities declined by 2 per cent.

BANK CREDIT: Loans of reporting member banks in principal cities, which have been increasing since the early part of the year, declined by \$115,000,000 between May 16 and June 13. Bank holdings of government securities, which increased by over \$100,000,000 in connection with the Treasury transactions of May 15, later declined as the securities were distributed by the banks.

These decreases in loans of member banks and the receipt during May of \$45,000,000 of gold from abroad were accompanied by a decrease in the earning assets of Federal Reserve banks of \$120,000,000 for the four weeks ending June 20. At that time the volume of Federal Reserve bank credit in use reached the lowest point since the opening of the year and approached the low point reached in August, 1922. Reserve bank holdings of bankers' acceptances and government obligations are now lower than at any time since early in 1922. The total volume of money in circulation increased by \$38,000,000 between May 1 and June 1, the increase being chiefly in gold and silver certificates rather than in Federal Reserve notes.

Money rates continued to show a slightly easier tendency. The June 15 issue of \$150,000,000 six months Treasury certificates carried a rate of interest of 4 per cent. compared with $4\frac{1}{4}$ per cent. on a similar issue sold in March.

