MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY FOR THE MONTH

The volume of business transacted in this Federal Reserve District during March as compared with a year ago was practically unchanged as to the physical quantities handled and one-fourth greater in money value. There is very definite evidence that the movement of commodities of all kinds to the northwestern trade territory increased, while the movement of produce to market declined. Rural communities exhibited much greater buying power in March than a year ago. In the cities, the gain was much more moderate.

There were declines in physical volume as compared with a year ago consisting of: a small reduction in total carloadings, a decline in the total receipts of all grains at terminals, a decrease in flour production, the smallest flour shipments from Minneapolis since July, 1917, a decline in the shipments of building material into country districts, smaller forest product shipments, and linseed product shipments not maintaining all of the gains heretofore shown as compared with the preceding year. There were offsetting increases in physical volume shown in: larger shipments of agricultural implements, vehicles, autos, trucks, tires, furniture, coal, coke and less-than-carload lot and miscellaneous freight. Wholesale trade exhibited substantial gains, except for hardware. Livestock receipts were about the same as a year ago.

The gain in money value as compared with a year ago is due primarily to the much higher level of the prices of agricultural products, although this gain has been aided by a trebling of the activity in grain futures at Minneapolis, the repayment of a substantial amount of so-called commercial paper, a small increase in sales by city retail stores, and much larger sales at retail lumber yards. All of the seventeen cities reporting individual debits at banks exhibited gains over a year ago in the money value of business, except Superior and Helena.

Having regard to physical volume, money value and the greater number of business days in the month of March than in February, it appears that March in the main did not show much better volume than February. The physical volume decreased due principally to an unusual decline in grain receipts, which normally show an increase. On the contrary, sales of lumber at retail yards increased. Livestock receipts, retail trade and wholesale trade exhibited the customary seasonal trends. The country districts showed a greater increase in retail sales as compared with February than the larger cities. Part of the increase in the money value of business during the month was due to income tax payments and government financing occurring on March 15.

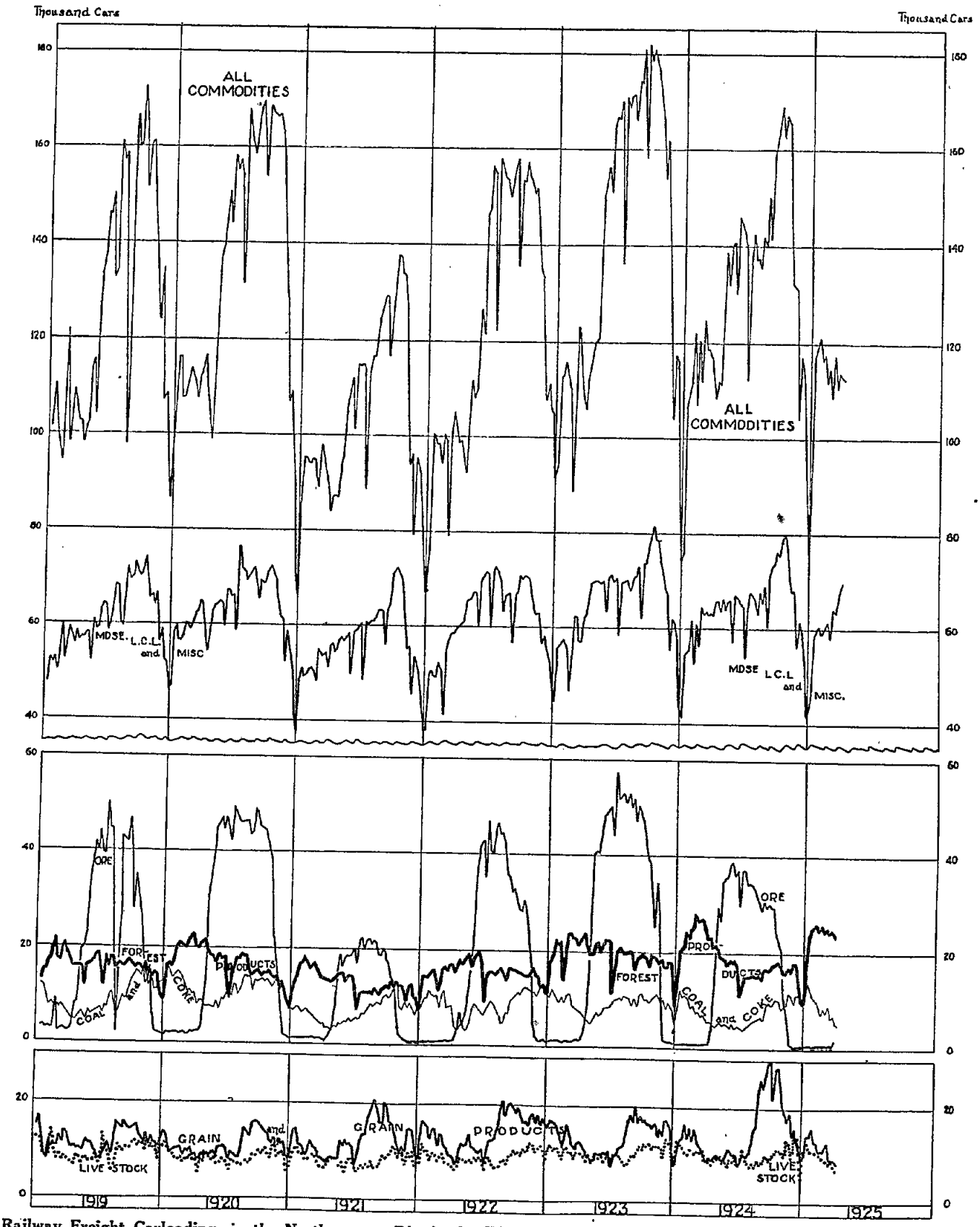
Mixed trends were shown in the prices of agricultural products in March as compared with February. The prices of the grains dropped sharply, the declines for the month in median cash prices being greatest for rye, corn and wheat. The more important kinds of livestock advanced in price, notably in the case of hogs.

Banking conditions exhibited no material change during the month of March or early part of April, except that in country banks there have been small withdrawals of deposits, reductions in reserves of idle funds, decreases in borrowings at city banks and increases in security holdings. Commercial paper outstanding in this district declined, whereas there is normally a small increase at this season. There was no significant change in the total volume of discounts of this Federal Reserve Bank, and its Federal Reserve notes in circulation and member bank reserve deposits both registered slight declines. Interest rates were substantially unchanged. Savings deposits increased.

Prospective building activity in eighteen cities, as shown by the permits issued in March was greater in valuation than last year, although seven of these cities reported a smaller total. However, on the basis of contracts awarded, and inclusive of construction outside of as well as inside of the larger cities, there was a decrease in the total value as compared with a year ago.

TOPICAL REVIEWS

The money value of business in this district, as reflected by the total amount of the debits to individual accounts at all banks in 17 clearing house centers, was 27 per cent larger in March than a year ago, and 17 per cent larger than in February. Only two cities, Superior and Helena, reported a smaller volume of debits than a year ago and only



Railway Freight Carloadings in the Northwestern District by Weeks, 1919 to 1925. Figures compiled by the Car Service Division of the American Railway Association. (The figures for the Northwestern District comprise reports from sixteen railroads operating principally in the Ninth Federal Reserve District, in the adjacent parts of the bordering states and in the State of Washington.)

one, Helena, reported debits smaller than in February. For these 17 cities, debits amounted to $821,647,000 in March, $703,134,000 in February and $645,983,000 in March a year ago.

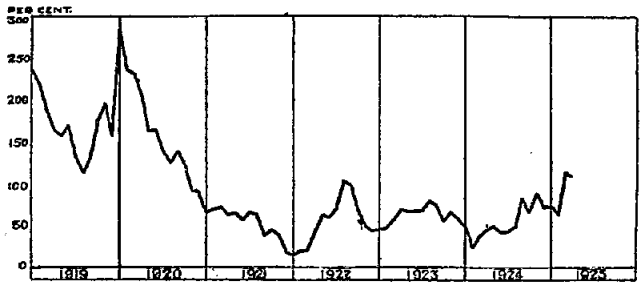
The increase over the February total of debits can be dismissed with the remark that March is a longer month and included a large amount of government financing. Income tax payments and two government security issues were handled on March 15. There was a very early start for farm operations this year. The increase over last year, however, is noteworthy, although there is little change from what has been described in previous reviews. Minneapolis and Duluth-Superior continued to have larger totals than a year ago, the increases being, respectively, 37 and 43 per cent. The cities having live stock markets reported greatly increased check payments when compared with a year ago, as a result of higher live stock prices and a heavier run of cattle. At South St. Paul, March debits were 44 per cent greater than a year ago and at Sioux Falls the increase was 28 per cent. The eight wheat belt cities reported a combined increase of 15 per cent over last year.

Carloadings of commodities in the northwestern district by weeks from 1919 to 1925, inclusive, have recently been furnished this office by the courtesy of the Car Service Division of the American Railway Association. On another page, we are presenting curves showing the course of these carloadings for these years. These curves probably afford the best opportunity that our readers have had for observing changes in the volume of trade in important lines during the momentous years covered by the chart. Heretofore, we have been compelled, for the most part, to depend on samples instead of aggregates in our discussion of the business developments in this district, a method which is admittedly far from perfection. Although these curves treat the various lines of activity in composite groups, they represent very fairly the changes in the physical volume of output in agricultural, extractive and other industries in this district.

To give the changes in these curves their proper significance several types of movements of small importance must be observed and discounted. Of these insignificant changes, the most obvious to the eye are the purely seasonal changes due to such factors as the weather and the time of harvest. Such seasonal changes are pronounced in the movement of iron ore, grains, livestock and forest products and are slightly indicated in the other curves in our chart. A second type of movement which should be eliminated from consideration on account of its small importance is the falling off in shipments on account of holidays such as the Christmas and New Year period and the 4th of July. Similar reductions in the volume of shipments have occurred at various times from accidental causes such as snow storms, temporary shortage of railway equipment and strikes. The volume of shipments that is withheld during these periods of reduced loadings is compensated for during the following weeks and the changes are consequently of little significance to those interested in changes in business conditions.

The movement of commodities in the northwestern district, as shown by railroad carloadings, was 2 per cent smaller in the four weeks of March this year than the movement during the same weeks a year ago. The only classes showing increases were merchandise in less than carload lots, coal, coke and miscellaneous. Pronounced reductions were reported for shipments of grain and grain products, livestock and forest products. In the case of livestock, the large decline of 20 per cent is not an exact evidence of the true state of livestock marketing. Good road conditions and favorable weather in March encouraged an increase in live stock marketing by the use of trucks. At South St. Paul 28,200 head of livestock were hauled in by truck in March this year, as compared with 17,500 head in March a year ago. All classes of livestock were marketed in larger volume by this method.

Commodity distribution into the rural sections of this district was very satisfactory in March according to the report of cars of merchandise forwarded from Minneapolis, as compiled by the Minneapolis Traffic Association. Shipments of agricultural implements and vehicles amounted to 305 cars, as compared with 160 cars a year ago. Shipments of farm implements in March this year were larger than in the same month of any year since 1920. Furniture shipments in March this year were larger than in any other March since the war, and totalled 52 cars as compared with 44 cars in March a year ago. Shipments of automobiles, trucks and tires totalled 1,176 cars in March, as compared with 658 cars a year ago, but the March record this year did not quite reach the total of March, 1923, of 1,360 cars, which was the largest single month's shipment since the record began in 1915. Building materials were shipped in smaller quantities than last year, only 270 carloads of forest products, millwork and building paper being shipped from Minneapolis, as compared with 365 cars in March a year ago.



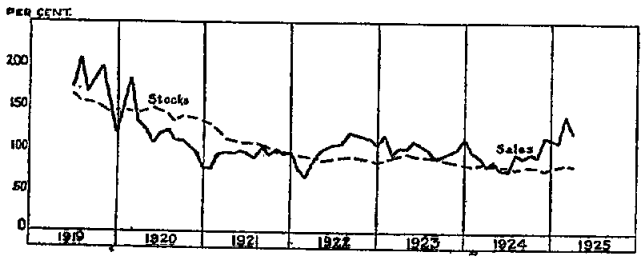
Farm Implement and Vehicle Shipments into the Northwest Trade Territory, Measured by Cars, with Seasonal Changes Removed.

Wholesale trade was materially larger in March than a year ago. Sales of farm implements were 68 per cent greater than a year ago, sales of dry

goods and shoes were 20 per cent greater and sales of groceries were 5 per cent greater. Hardware sales at wholesale were less than 1 per cent smaller than a year ago. As compared with February, there were seasonal increases in wholesale sales in every line for which we have reports, except dry goods.

Retail trade during March presented sharp contrasts between the activity in larger and in smaller cities of this district. At Minneapolis, St. Paul and Duluth-Superior, 13 stores reported an increase of 4 per cent in the total of their dollar value of sales over a year ago. In 10 stores located in smaller cities throughout the district, there was an increase over last year of nearly 17 per cent. The increase in March over the February volume this year was 19 per cent in the larger cities and 44 per cent at the outside stores. A year ago, the increase in March over February was 21 per cent in the larger cities and 24 per cent at the outside stores. Part of the greater seasonal improvement in March 1925 sales in the smaller cities may have been due to better road conditions and the early advent of warm weather. Moreover, Easter was 8 days earlier this year than last, which might account for a somewhat larger volume of pre-Easter purchases in March this year than a year ago. In spite of both of these circumstances, it will be noted that the larger cities showed a smaller seasonal increase this year than last probably reflecting a slowing-down in business in some other lines. Outstanding orders of retailers with manufacturers, jobbers and wholesalers were 16 per cent greater at the close of March than a year ago.

Lumber retailers in this district reported sales 39 per cent greater in March than in February and 49 per cent greater than in March a year ago. These sales reported in board feet are the most accurate measure obtainable of the volume of building going on outside of the larger cities. Undoubtedly the exceptionally mild weather in March has had something to do with the much larger sales of lumber this year than a year ago, but the weather influence must not be over-emphasized because the figures are quite in line with reports for the last few months, which have indicated very clearly that there is a much larger building program going on in the country this year than a year ago. Stocks of lumber in retailers' hands at the end of March were almost exactly as large as a year ago, in spite of the larger



Retail Lumber Sales and Stocks in the Ninth Federal Reserve District. Curves Adjusted to Eliminate Seasonal Changes.

volume of business being done. Sales, including items other than lumber and measured in dollars, were 30 per cent larger in March than in the same period last year.

Building contracts awarded in the Northwest in March, as reported by the F. W. Dodge Corporation, amounted to $7,235,000 as compared with $8,610,000 in March last year. The decrease was almost entirely in the two classes of public utility construction and social and recreational buildings. Residential construction showed a great advance of about 50 per cent. For the period from January 1 to April 1, contracts awarded in this district amounted to $16,877,000 as compared with $18,353,000 in the same portion of 1924 and $26,340,000 in the corresponding period of 1923. The building volume in the spring of 1923 was the largest in any spring since the F. W. Dodge Corporation began collecting figures for this district in 1915.

Prospective building activity in northwestern cities as shown by building permits granted in March, was larger than in March a year ago. The total number of permits issued in 18 cities of this district was 4 per cent greater than last year and the total valuation was 42 per cent greater. This wide difference between changes in the number and valuation of permits may be largely explained by a single permit granted at Superior for an $800,000 project of the Great Northern Railroad to make alterations on their ore dock in that city. Even without this permit the increase would have been 21 per cent over last year. Seven cities reported a smaller valuation of permits granted in March than a year ago.

It is customary, with the opening of the spring building season, for the number of permits and their valuation as granted in March to be greater than in February, but the unusually mild and favorable weather prevailing in March this year has accomplished a doubling in the number and nearly a doubling in the valuation, as compared with February.

In manufacturing, March was a month of reduced activity in this district. Flour shipments from Minneapolis were the smallest in volume since July, 1917. Flour output in this district was 15 per cent less than in February and the same amount smaller than in March last year. Both city and country mills showed declines as compared with a month ago and a year ago, except those at Duluth-Superior, according to the records of the Northwestern Miller. Carloadings of forest products in the Northwestern District were 97 thousand cars in the four weeks ending March 28, as compared with 105 thousand cars in the same period last year. Forest product shipments were also smaller in these four weeks of March than the February shipments. Linseed product shipments in March were one-fourth larger than a year ago, which is not as favorable a showing as was made in February, when shipments

were two-thirds larger than a year ago. Linseed oil shipments were only 2 per cent larger in March than in February, although the usual increase is about 30 per cent. Oil cake shipments were 30 per cent smaller in March than in February, as against a normal decline of about 6 per cent.

Grain marketing at Minneapolis and Duluth-Superior slackened unseasonably during March. Receipts of all grains, except wheat, declined, although there is usually an increase in March over the February volume. In the case of wheat, there was an increase of 5 per cent, but this was less than the normal increase.

Wheat receipts at these two terminal markets were 9 per cent smaller in March than a year ago although the official estimates of stocks of wheat on the farms in our four complete states was 10 million bushels larger on March 1 than a year ago. Apparently, farmers in these states have been withholding their wheat from market because of the break in wheat prices. Receipts of corn and rye were less than one-half as large in March as a year ago, receipts of oats and barley were somewhat larger than a year ago and receipts of flax were more than double the March, 1924 volume.

Stocks of grain at the end of March in terminal elevators at Minneapolis and Duluth-Superior were about as large as at the close of February and nearly 40 per cent greater than a year ago. During March, stocks of corn were increased 40 per cent and stocks of wheat, barley and rye increased slightly, but the stocks of flax and oats were reduced. Five times the volume of oats; three times the volume of barley and more than twice the volume of flax was held in store as a year ago, and wheat holdings were one-fourth larger. On the other hand, stocks of corn were less than one-fourth as large as a year ago, and stocks of rye were less than one-half as large.

Cash grain prices dropped sharply during March. The median price of rye was 27 cents lower in March than in February; corn was 14 cents lower; wheat nearly 13 cents lower; and barley, oats and flax, respectively, were 7, 6 and 5 cents lower.

Sales of grain futures at Minneapolis were about three times as large in March as a year ago and somewhat larger in volume than in February. Wheat and oats showed the greatest activity, but sales of futures of the other grains, except rye, were also larger than last year. At Duluth there was a decrease in future sales, both as compared with February and with a year ago.

Receipts of livestock at the South St. Paul market were practically as large in March this year as a year ago. A third more cattle and calves reached market, but receipts of hogs and sheep were smaller. March was the first month since October in which sheep receipts were below the same month a year earlier. As compared with February, the March receipts of cattle and calves were more than one-fourth larger, receipts of hogs were one-tenth smaller and receipts of sheep were less than one-half as great. All of these latter changes were of a seasonal nature, although in the case of sheep the decline was much larger than usual.

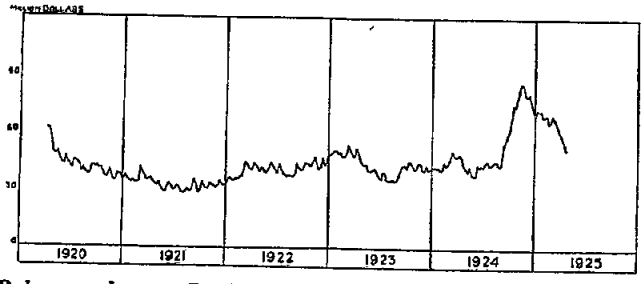
Feeder shipments from South St. Paul were not large during March with the exception of shipments of cattle, which were 7 per cent larger than a year ago. Shipments of hogs were 5 per cent smaller than a year ago and shipments of feeder calves and sheep practically ceased. Only 191 calves and 268 sheep were shipped to the country in March, which were much smaller totals than the numbers shipped last year. As compared with February, there were seasonal increases in shipments of feeder cattle and hogs and a seasonal decrease in shipments of feeder sheep, but feeder calf shipments showed an unseasonal decline.

Livestock prices at South St. Paul advanced for the more important kinds to much higher levels during March than prevailed in February. The most important advance was made by hogs, which increased $2.60 per hundredweight in median price under the stimulus of the prospect of short supplies during the next few months. Butcher steers and butcher cows increased $1.00 per hundredweight and feeder steers advanced 75 cents. Even veal calves increased 25 cents, although for this kind of live stock there is usually a decline in March from the February level of prices. Lambs alone of the classes for which this office computes medians, failed to advance and declined $1.25 per hundredweight.

The prices of other farm produce, with the exception of potatoes, were yielding better returns to the farmers at the end of March than a year ago. Eggs were selling at 28 cents a dozen, which is a higher price for this time of year than any recorded since 1920. The price of eggs was higher on March 31 than on February 28, although usually there is a pronounced decline as the heavy egg-laying season approaches. The price of butter was 45 cents a pound in Minneapolis at the end of March, as compared with 40 cents a year ago and 49 cents two years ago. Butter also recorded an increase over the price at the end of February, which is contrary to the seasonal trend, and the March increase brought the price of butter to a point equal to the highest price of last winter. Potatoes, on the other hand, sold at $1.20 per hundredweight at the close of March, as against $1.25 a year ago. Potato prices on March 31 were lower than on the same date in any year since the war.

Banking reports at the close of March indicate that country banks were reducing their reserves of idle funds. At our selected group of city member banks, deposits due to their country correspondents declined more than 4 millions between February 25 and March 25. This accounted for more than half of the decline in demand deposits at these selected banks which amounted to 7½ millions. Time deposits were reduced about one-half million dol-

lars. There was no indication of strain on the resources of these banks as a result of this decrease in loanable funds. They reduced loans by 9 millions, or more than the amount of the reduction in deposits, and also increased their security holdings, other than United States Government securities, by 1½ millions and reduced their borrowings at this bank more than three-fourths of a million dollars. Government deposits and United States security holdings at these banks increased 2½ millions, largely as a result of the government fiscal operations on March 15.



Balances due to Banks at Six Reserve City Banks in the Ninth Federal Reserve District. Latest figure, April 22, $51,716,000.

A marked reduction in the volume of commercial paper outstanding in this district took place during March. The decline amounted to no less than 16 per cent, whereas the usual occurrence at this time of year is an increase of 2 per cent. However, the volume outstanding on March 31 was 63 per cent larger than a year ago.

This Federal Reserve Bank reported no appreciable change in the volume of its discounts for member banks between February 25 and March 25. Federal Reserve notes in circulation were reduced two-thirds of a million dollars, and member bank reserve deposits were drawn down by one-half million dollars. Earning assets were increased more than 5½ millions by an increase in purchased bill holdings of 6⅔ millions, partly offset by a decrease in United States security holdings of 1 million dollars.

During the two weeks ending April 8 country banks continued to draw down their balances with city correspondent banks. Six Minneapolis member banks reporting to this office lost more than 4 millions of such deposits during these two weeks, making a total loss since November 5, 1924 of 28½ million dollars. On April 8 these six banks had on deposit 58 millions due to other banks as compared with 47 millions a year ago. The recent decline in deposits due to banks was largely responsible for the decrease of nearly 7 millions in total demand deposits of our 25 reporting banks during the first half of April. During this period, time deposits increased 1⅓ millions and borrowings by these banks remained unchanged. On the asset side of the balance sheet, loans were reduced nearly 9 millions and security holdings were increased very slightly.

This Federal Reserve Bank experienced an increase of more than 2 millions in loans to member banks during the three weeks ending April 15, but Federal Reserve notes in circulation were reduced 1½ millions. Purchased bill holdings were reduced about 1 million dollars and the cash reserves declined 5 millions.

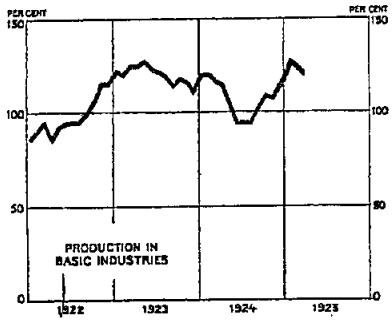
Interest rates at Minneapolis banks were about the same on April 15 as on March 15. There were moderate increases in the rates on time and demand collateral loans and a small decrease in the rate on loans to banks.

Savings deposits increased at Minneapolis and St. Paul and decreased at Duluth between March 1 and April 1. The average savings deposit at Minneapolis was much higher than at any previous time in our four year record.

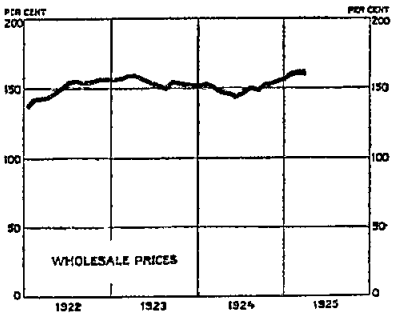
The abstract of called reports of Minnesota state banks, savings banks and trust companies as of March 20, 1925, shows that, in Minnesota at least, the same conditions have been developing this spring which we have described heretofore on the basis of fragmentary evidence. Deposits in the Minnesota banks increased 5 million dollars over the volume on December 31, loans to customers were reduced 4½ millions, borrowings were reduced nearly 1 million dollars and reserve funds, represented by cash and amounts due from banks, decreased 4 million dollars. As a result funds were made available for an increase in security holdings of 10 millions. A year ago between December 31, 1923 and April 22, 1924, these Minnesota banks under state supervision experienced a decline of nearly 10 millions in loans, small decreases in security holdings, deposits and borrowings, and an increase in reserve funds of 1 million dollars.

State banks and trust companies in North Dakota reported a decrease of more than 6½ millions in reserve funds, represented by cash, cash items, and due from banks during the period from December 31, 1924 to March 14, 1925. This reduction was brought about by a decrease of 2½ millions in deposits, a decrease of nearly 1 million dollars in borrowings from other banks and an increase of more than 2½ millions in security holdings. Loans were unchanged in amount. A year ago during the corresponding period, there were decreases in all of the important items in the balance sheets of these banks.

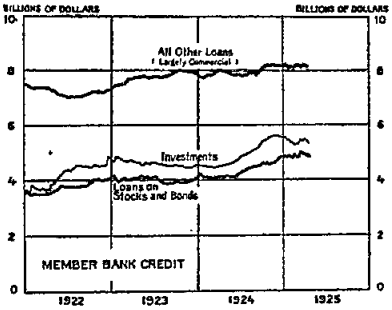
Business failures in the Northwest were 6 per cent more numerous in March than in the same month a year ago and almost double in the total of liabilities. There was a reduction of 11 per cent from the February number of failures but an increase of 24 per cent in the total of liabilities. March failures were 82 in number, with liabilities amounting to $1,924,921, according to reports received from R. G. Dun and Company.



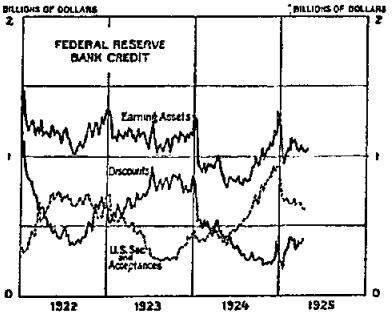
Index of 22 basic commodities. Corrected for seasonal variations (1919 = 100). Latest figure, March, 120.



Index of United States Bureau of Labor Statistics. (1913 = 100, base adopted by Bureau). Latest figure, March, 161.



Weekly figures for member banks in 101 leading cities. Latest figures in millions, April 15; all other loans, 8,220; investments, 5,482; loans on stocks and bonds, 4,908.



Weekly figures for 12 Federal Reserve banks. Latest figures in millions, April 22: Total earning assets, 1,053; discounts 412; acceptances and United States securities, 629.

Summary of National Business Conditions

(Compiled April 24 by Federal Reserve Board)

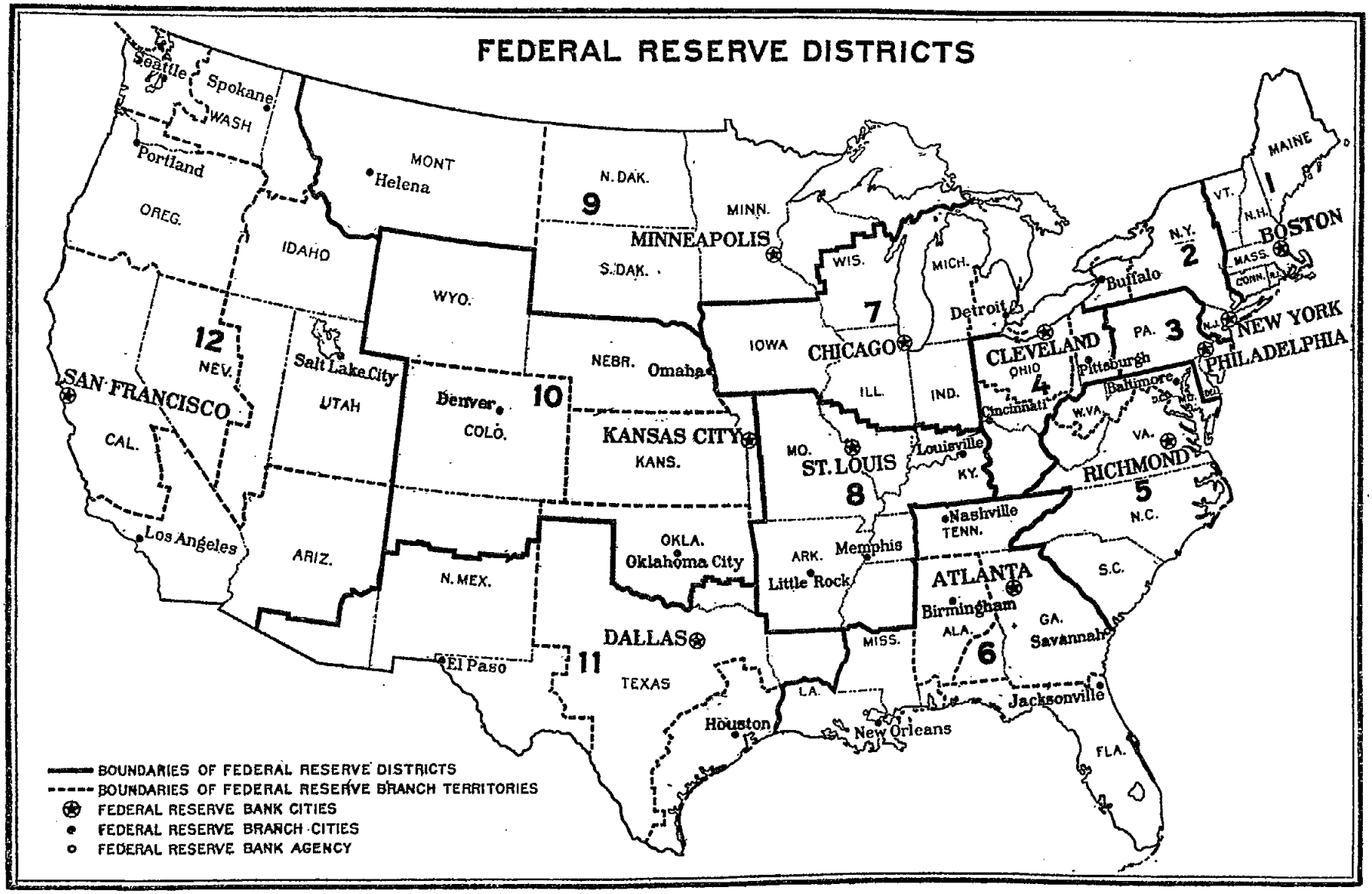
Production in basic industries was smaller in March than in the two preceding months, but was as large as at any time in 1924. Distribution of merchandise both at retail and wholesale was in greater volume than a year ago. Wholesale prices, after increasing since the middle of 1924, remained in March at about the same level as in February.

PRODUCTION: The Federal Reserve Board's index of production in basic industries declined in March to a level 5 per cent below the high point reached in January. Iron and steel production and cotton consumption showed less than the usual seasonal increase during March and activity in the woolen industry declined. There was a further decrease in the output of bituminous coal. Increased activity in the automobile industry was reflected in larger output, employment and payrolls. In general, factory employment and payrolls increased during the month. The value of building contracts awarded in March was the largest on record, notwithstanding the recent considerable reduction in awards in New York City.

TRADE: Wholesale trade in all principal lines increased in March and the total was larger than a year ago. Sales at department stores and by mail order houses increased less than is usual at this time of the year. Stocks of shoes and groceries carried by wholesale dealers were smaller at the end of March than a month earlier, and stocks of dry goods, shoes and hardware were smaller than last year. Stocks of merchandise at department stores showed more than the usual seasonal increase and were somewhat larger than last year.

PRICES: Wholesale prices of most groups of commodities included in the index of the Bureau of Labor Statistics declined somewhat in March, but owing to an advance of food prices, particularly of meats, the general level of prices remained practically unchanged. Prices of many basic commodities, however, were lower at the middle of April than a month earlier.

BANK CREDIT: The volume of loans and investments at member banks in principal cities continued at a high level during the five week period ending on April 15. Total loans declined, reflecting chiefly a reduction in loans on stocks and bonds, and also some decrease in loans for commercial purposes. Investment holdings, which early in March had been nearly $300,000,000 below the high point of last autumn increased by the middle of April by about half this amount. Demand deposits, after declining rapidly between the middle of January and March 25, increased during the following weeks, but on April 15 were still $633,000,000 below the maximum reached in January. At the Reserve banks the volume of earning assets on April 22 was about $75,000,000 below the high point at the end of February, but continued above the level of a year ago. Discounts for member banks were about twice as large in April as at the exceptionally low point in the middle of January, while total United States securities and acceptances held were in smaller volume than at any time during the year.

Somewhat easier money conditions in April were indicated by a decline of one-eighth of one per cent in the open market rate on 90 day acceptances to 3⅛ per cent and by sales of prime commercial paper at below 4 per cent.

FEDERAL RESERVE DISTRICTS