

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

THE FEDERAL RESERVE AGENT

TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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113th Report

MINNEAPOLIS, MINN.

June 28, 1924

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

Mid-summer dullness, advanced by sixty days, characterizes current business in this district. Measured by bank debits, the activity and volume of business appears to be slightly better than a month ago, but poorer than a year ago. Marketing of agricultural products, late spring activity on farms, and financing probably account for this improvement, since merchandising, manufacturing, and city employment conditions all show declines in May.

Grains have moved to market in larger volume, except wheat, and all terminal stocks were heavily reduced. This, coupled with the crop outlook, has improved wheat prices. On the other hand, livestock prices have changed little, although the heavy receipts of hogs prevailing for some months past are now tapering off, and receipts of calves are somewhat curtailed.

Merchandising at wholesale has been much depressed, except for farm implement sales. Retail department store sales have not been sufficient to move stocks normally and hand-to-mouth buying results. However, rural buying has shown some increase but even this is not fully up to the normal increase customary for this season, nor on a level with a year ago.

Manufacturing, with the exception of flour, shows the same decline as in merchandising. Mining output, however, has been maintained. Lake shipments apparently are much out of balance, when compared with last year, owing to a larger down-lake movement of grains, flour and lumber and a great reduction in the up-lake movement of coal.

Prospective building activity, as shown by the permits issued, is about one-fifth poorer than a year ago. However, there was an improvement over last month in the valuation, although not in the number of permits. Residential rents are reported

as declining in important cities of this district, indicating either that new building in recent months has overtaken the demand for housing, or that the present pronounced increase in unemployment has begun to have its usual effect.

Banking and credit conditions on the average in this district, have acquired considerably greater potential strength during the six week period ending at the middle of June. Reports from 25 selected member banks in the larger cities show a loan decline of 5 millions, coupled with a demand deposits increase of $7\frac{1}{2}$ millions. Federal reserve bank loans, meanwhile, were practically unchanged and Federal reserve notes issued early in May for depositors' needs, had begun to return in substantial quantity during the first three weeks of June.

Crop conditions in general were favorable on June 1 throughout the Ninth Federal Reserve District. During the first two weeks of June sufficient moisture fell to supply the crops in most sections with all the moisture needed for some time. All the crops are backward, but the season has favored the development of root systems and stooling of small grains. Weed growths have been retarded also, which will give the crops a good start on them this year.

Practically all planting was completed by June 15, except flax and corn at some northern points where climatic conditions have been particularly unfavorable. There was less than normal abandonment of the winter grains, which has resulted in an upward movement of the average tilled acreage per farm and per farmer. There was an excess of available farm labor on June 1 in practically all sections of the district.

Farmers in Minnesota, North Dakota, South Dakota and Montana have reserved nearly two million more acres for corn, flax, potatoes and tame hay in 1924 than in 1923, providing approximately

the same proportion of plow lands are cropped in 1924 as were cropped last year. The United States Department of Agriculture estimates, prepared by the Agricultural Statisticians in each state, indicate that there are 600,000 less acres of rye than a year ago, a reduction of nearly 23 per cent, and 1½ million less acres of spring wheat, a reduction of nearly 10 per cent. However, an increase of 140,000 acres in barley, and a similar increase in oats, together with a small increase of 20,000 acres in winter wheat, accounts for 300,000 acres of the reduction in spring wheat and rye, leaving 1,800,000 acres additional to last year for crops the acreages of which have not yet been reported. These crops are corn, potatoes, flax and tame hay. A large proportion of the expected increased flax plantings will probably be on new ground, which will further increase the area to be planted to these four crops.

Pastures were short and hay prospects have suffered from the lack of moisture during May, and the cool weather. The June 1 condition of tame hay was several points below the average, but the clovers and alfalfa were in slightly better condition than the grasses.

TOPICAL REVIEWS

The acreage of all spring wheat in our four states was estimated June 1 at 13,936,000 acres as compared with 15,434,000 acres a year ago. The acreage for the whole United States was reduced in practically the same proportion, from 18,786,000 acres in 1923 to 16,920,000 acres this year. In

our four states the reduction in spring wheat acreage was about equally divided between durum and bread wheats, 716,000 acres less in durum and 722,000 acres less in bread wheats, but the smaller acreage devoted to durum makes the percentage of reduction 15 per cent, while the reduction of bread wheat is only 7 percent. The proportionally larger decrease in durum indicates that the somewhat larger yields are thought not to offset the lower price received.

The June 1 forecast for all spring wheat in our four states is 142,216,000 bushels, very nearly as large as the 1923 production, despite the ten per cent cut in acreage, but is more than 52,000,000 bushels less than the five year average.

The June 1 condition of all spring wheat in the whole United States was not as high as in our four states, and the forecast is only 183,831,000 bushels, as compared with 213,401,000 bushels a year ago, and 256,330,000 bushels for the five year average.

Acreage and production figures for spring wheat, winter wheat, barley, rye and oats for each of the four complete states in this district as estimated June 1, together with last year's acreages and production figures and the five year averages are given below.

The volume of business in the cities of this district, as measured by debits to individual accounts at banks, increased nearly eight per cent in May over last month, but the volume was six per cent lower than in May last year when the volume was

JUNE 1, 1924, CROP ACREAGES AND PRODUCTION ESTIMATES, 1923 ACREAGES AND PRODUCTION, AND 1918-1922 AVERAGE PRODUCTION BY STATES.
(000's omitted)

	Hard Spring Wheat Acres		Durum Acres		All Spring Wheat Acres			All Spring Wheat Bushels		
	1924	1923	1924	1923	1924	1923	% 1924 of 1923	1924	1923	5 Yr. Av.
Minn.	1,323	1,423	115	211	1,438	1,634	88.0	16,889	19,281	36,672
Mont.	2,655	2,664	82	139	2,737	2,803	97.6	36,128	39,940	30,990
N. D.	4,833	5,122	2,603	3,140	7,436	8,262	90.0	67,460	58,660	91,212
S. D.	1,093	1,477	1,232	1,258	2,325	2,735	85.0	21,739	25,982	35,750
4 states....	9,904	10,686	4,032	4,748	13,936	15,434	90.3	142,216	143,863	194,624
U. S.	12,888	14,010	4,032	4,748	16,920	18,758	90.2	183,831	213,401	256,336

	Winter Wheat Acres		Bushels		5 Yr. Av.	Rye Acres		Bushels		5 Yr. Av.
	1924	1923	1924	1923		1924	1923	1924	1923	
Minn.	89	94	1,698	1,504	1,309	766	912	13,512	12,312	11,799
Mont.	761	738	12,724	12,546	9,516	138	192	1,761	2,112	1,494
N. D.	*	*	*	*	*	953	1,288	11,167	10,046	17,039
S. D.	81	77	1,168	924	1,497	224	304	3,844	3,496	4,530
4 states....	931	909	15,590	14,974	12,322	2,081	2,696	30,284	27,966	34,862
U. S.	36,898	39,522	509,319	572,340	624,653	4,337	5,157	62,461	63,023	78,410

	Oats Acres		Bushels		5 Yr. Av.	Barley Acres		Bushels		5 Yr. Av.
	1924	1923	1924	1923		1924	1923	1924	1923	
Minn.	4,266	4,142	136,683	153,254	122,868	962	962	22,434	24,050	24,343
Mont.	720	673	20,743	22,209	14,672	112	97	2,312	2,838	1,577
N. D.	2,746	2,388	59,259	54,924	57,139	1,524	1,361	25,603	23,818	22,396
S. D.	2,442	2,304	70,085	78,336	69,005	854	890	24,510	20,025	24,301
4 states....	10,174	9,507	286,770	308,723	263,684	3,452	3,310	74,859	70,731	72,617
U. S.	41,625	40,850	1,231,729	1,299,823	1,302,516	7,552	7,908	159,893	198,185	186,036

*Not reported.

exceptionally heavy. This is a very favorable showing compared with March and April, if seasonal changes are taken into consideration, as can be readily seen from the chart of urban business conditions shown elsewhere in this report.

Business failures were about as numerous in May as in April in this district, according to reports from R. C. Dun and Company, but the liabilities involved were two and one-half times as great. As compared with May last year, the number of failures was 35 per cent greater and the liabilities 18 per cent less. The figures for May, 1924, were 104 failures, with liabilities amounting to \$3,254,555.

Soo Canal traffic during May, which was the first complete month of lake freight movement this spring, shows some interesting changes from the movement of May a year ago. Eastbound traffic was 12 per cent larger and westbound traffic 54 per cent smaller. The larger traffic eastbound was due to an increase in volume of iron ore, and to larger shipments of grain other than wheat and increased shipments of flour and lumber. Wheat shipments down the lakes were about as large in May this year as a year ago. Westbound tonnage shows the effect of greatly reduced coal shipments. Soft coal receipts at Duluth-Superior were only about one-third as great in May this year as last, and hard coal receipts were two-fifths of last year's May receipts.

Department store sales declined six per cent between April and May. Sales, which were at about last year's level for the first four months of the year, were two per cent lower in May than the May volume last year. As a result of the decline in sales, there was a slight increase in stocks of merchandise held during May, although usually there is a decline from the end of March until mid-summer. Stocks were about as large as a year ago. The uncertainty as to what the future holds in regard to prices and the volume of sales is reflected in the hand-to-mouth buying policy of these representative stores. The unfilled orders on their books at the end of May were less than four per cent of their total 1923 purchases, whereas at the end of May in 1923 and 1922 unfilled orders were nearly six per cent of the previous year's purchases, and in 1921 the percentage was more than nine per cent.

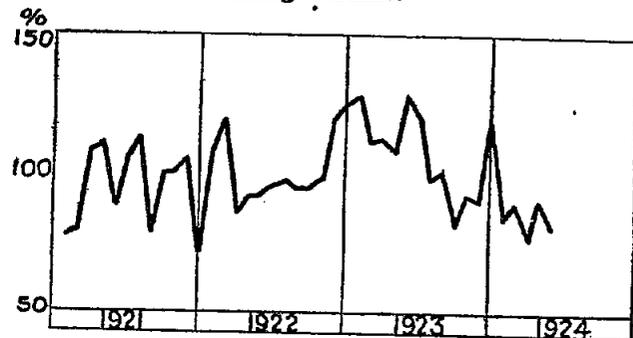
Rural retail purchases, as evidenced by the sales of lumber at retail yards in this district, showed a less than seasonal increase of 17 per cent between April and May, which amounted to a decline if the seasonal trend is eliminated. May purchases were lower in comparison with normal than any month's purchases since our record began in 1920, with the exception of January and February, 1922. Retailer's stocks of lumber were allowed to remain at the low level of the month before, which was one-eighth lower than a year ago.

Wholesale trade in most lines was exceedingly dull in this district during May. In place of the increases which normally take place between April

and May in dry goods and shoes and in hardware, there were declines of 5, 7 and 11 per cent respectively. Groceries about held their own, with sales very slightly larger in May than in April, and farm implements showed an increase of 18 per cent, which is probably entirely a seasonal matter.

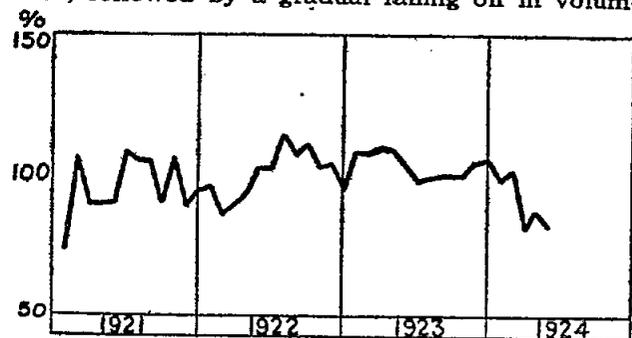
As compared with last year's sales in May, farm implements showed the same volume, but the other groups showed pronounced declines. Shoes, in particular, were down 37 per cent, and the other declines were: Dry goods 22 per cent, groceries 6 per cent and hardware 23 per cent. The state of the wholesale hardware trade has been rapidly growing worse throughout the spring. January and February sales were about as large as those last year. March sales were 3 per cent less, April sales 7 per cent less, and, as above noted, May sales 23 per cent less. This condition is the direct result of the decline in building operations which has been forecast for some time by building permit figures and in the country districts by the sales of lumber at retail.

This month we are presenting two curves showing the record of wholesale dry goods and shoe sales in this district by months from 1921 to the present. Wholesale dry goods sales were in fair volume during most of 1922 and 1923, or at least larger than in 1921. The first five months of 1924, however, have shown a declining volume.



Sales by Representative Wholesale Dry Goods Firms in the Ninth Federal Reserve District. Curve adjusted to eliminate seasonal changes.

Wholesale shoe sales have been very irregular during the last three years, but there was apparent a moderate increase from 1921 until the spring of 1923, followed by a gradual falling off in volume



Sales by Representative Wholesale Shoe Firms in the Ninth Federal Reserve District. Curve adjusted to eliminate seasonal changes.

CROP AND BUSINESS CONDITIONS

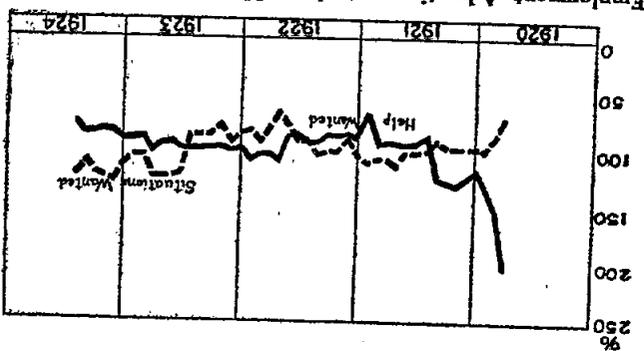
June 28, 1924

until the spring of 1924, since when the volume has been running from 75 to 90 per cent of our estimated normal.

Another measure of changes in the volume of goods distributed during May is to be found in the car loadings at Minneapolis of various types of goods. There were declines from May last year in the number of cars forwarded of autos, trucks and tires, agricultural implements and vehicles, furniture, iron and steel articles other than structural iron, brick, building paper, and merchandise leaving the city in less than carload lots. Increases occurred in shipments of cement, lime and plaster, forest products including mill work, structural iron, stone, marble and sand, machinery other than farm implements, and petroleum and its products.

Manufacturing operations in this territory showed further recession during May, with the exception of flour, which showed a slight improvement but was still reporting very greatly reduced operations in Minneapolis. Flour mills in this district increased their output nearly 10 per cent between April and May and production was 7 per cent larger than a year ago in May. Country mills continued to produce more flour than the Minneapolis mills reporting to the Northwestern Miller, and both classes showed increases between April and May; but country mill production was larger, and Minneapolis production smaller, than a year ago. Shipments of flour from Minneapolis were the smallest of any May shipments in 15 years, although there was more than the normal increase between April and May.

Lumber manufacturers reduced their scale of operations during May, both in the actual cut of lumber and in comparison with the normal trend at this time of year. During May the volume of lumber cut was smaller as compared with normal than the volume in any month since March, 1922. Lumber shipments, also, declined and reached a lower level as compared with normal than any month since August, 1921. Lumber stocks increased slightly during the month, but not as much as is usually the case. The one favorable sign in the reports for the month of May was the increase of 25 per cent in the number of men employed in the woods, which is more than a normal increase and indicates that a large volume of timber is being prepared for sawing in the coming months. As compared with last year, lumber cut and shipments in May were both



Employment Advertisements in a Minneapolis Newspaper. Curves adjusted to eliminate seasonal changes.

Prospective building activity, as evidenced by the valuation of building permits granted in 18 cities of this district, was 12 per cent greater in May than in April. The number of permits granted was about the same in both months, and as a result the average building permit, which furnishes a good test of the state of business confidence, increased in size, although normally there is little change at this time of year. As compared with May a year ago, both the number and valuation of permits granted during May were more than one-fifth smaller.

The city real estate situation in this district on June 1, according to the semi-annual report of the National Association of Real Estate Boards, was in a state of equilibrium between supply and demand. In the majority of the cities reported for, there was neither a shortage of structures, either for residential or business purposes, nor an over-built condition. Minneapolis was the outstanding exception to this statement. The Minneapolis Real Estate Board reported an over-built condition in small stores and duplexes and no shortage of other types of buildings. Sioux Falls, South Dakota, was the only city reporting a shortage of buildings, and here the lack was in single family dwellings. The other cities and counties in this district from which reports were received were St. Paul, Duluth, Fargo, Butte, Great Falls, Callatin County, Montana, and Pierce and St. Croix Counties, Wisconsin.

Reports received by the above association from Minneapolis, St. Paul and Fargo indicate declining residential rents. Practically every type of dwelling in Minneapolis is renting for less, the only exceptions being the cheapest classes of two family and kitchenet apartments. In St. Paul rents are much more stationary, but all types of kitchenet apartments are bringing lower rents. In Fargo, there are declines in rents of all important types, except single family dwellings and kitchenet apartments.

Prices at terminal markets of the chief products of the farm showed mixed tendencies during May, but advances probably out-weighed declines. Live-stock prices, on the whole, remained stationary, if seasonal changes are eliminated. The median price of butcher steers remained unchanged between April and May, which amounted to a decline, since normally prices are rising at this time of year. The median price of butcher cows, on the other hand, increased slightly more than the seasonal amount, and the same was true of stocker and feeder steers. Veal calf prices increased, but by less than the seasonal amount, and lambs declined, both actually and in comparison with the seasonal movement. The price of hogs moved slightly downward, but not by the usual seasonal amount, so that the curve with seasonal changes eliminated continued its upward movement.

Among the grains, the median price of wheat increased 5 cents per bushel between April and May, and there were small increases in oats, rye and flax. The median price of corn and barley declined.

The livestock movement to market at South St. Paul was smaller in May than in April. The volume of hogs was reduced, although normally there is some increase between April and May. Hog receipts at South St. Paul have been running from one-fourth to one-third larger than last year for corresponding months, but in May, through the failure to show the seasonal increase, the volume was only 3 per cent larger than in May last year. Receipts of calves also showed some curtailment. The number received in May was only slightly larger than the number in April, although ordinarily there is more than a 10 per cent increase between the two months, and the May volume of receipts was nearly one-fifth lower than a year ago, the first unfavorable comparison since January. Cattle and sheep moved to market in smaller volume during May than in April, which was a seasonal occurrence, and both showed larger receipts than in May last year.

Stocks of grain at Minneapolis and Duluth-Superior showed an unusually large decline of more than two-fifths during the month of May. Stocks of wheat were reduced one-fourth and rye stocks declined one-seventh, but were still rather large. The other grains, except flax, also showed pronounced declines, most noticeably in the case of corn. Four million bushels of corn started down the lakes in May, which reduced the unusually large stocks which

had been held at Duluth-Superior through the spring. There was a small increase in flax stocks at Duluth-Superior and in total, but the accumulation was not significant. As compared with a year ago, terminal grain stocks showed mixed comparisons. Stocks of corn, flax and rye were larger and stocks of wheat, oats and barley were smaller.

Grain receipts at Minneapolis and Duluth-Superior were larger during May than during April. Part of this increase was due to a transfer from Minneapolis to the head of the lakes of a considerable quantity of rye and probably some other grain, for shipment to eastern domestic points and for export. Receipts of rye and flax at the two centers were more than twice as large in May as in April and receipts of wheat were two-fifths larger, while corn, oats and barley showed smaller receipts. As compared with a year ago, receipts of corn continued to be very much larger and all of the other grains showed somewhat larger receipts, except wheat, for which receipts were one-fifth lower.

The banking and credit situation in this district continues to be one of great ease in the cities. Country banks expanded their borrowings from this Federal Reserve Bank in May, but most of the increase was cancelled in the first three weeks of June.

The loans of 25 selected member banks in the larger cities of this district declined nearly 7 million dollars during May, and security holdings were reduced 1 million. This reduction in earning assets was partly offset by an increase of nearly 1½ millions in reserves. On the other side of the ledger, government deposits were reduced 3½ millions and demand deposits 1½ millions, but time deposits increased nearly 1 million dollars and borrowings from this bank were enlarged by 2 millions. This analysis of changes leaves an increase of about 4 million dollars on the asset side to be explained, which was probably used to build up correspondent bank deposits.

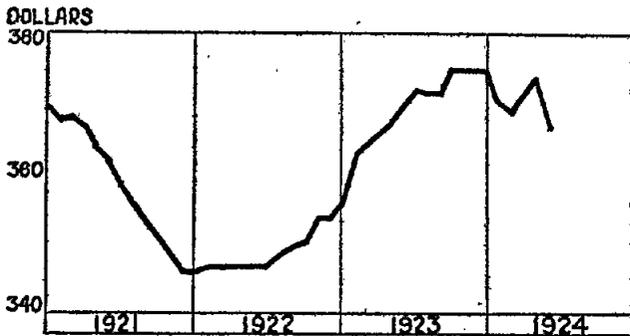
During the first two weeks in June, there was a moderate increase of 2 millions in loans, accompanied by a further reduction of more than 1 million in security holdings and a reduction of 1½ millions in reserves. Demand deposits were increased nearly 9 millions, and time deposits showed a further small increase. Government deposits and borrowings from this bank declined slightly.

Commercial paper outstanding in this district showed a seasonal decline of 7 per cent, but the volume at the end of May was larger than any May volume since 1920, when our figures began.

The plentiful supply of loanable funds caused a slight reduction in interest rates in Minneapolis during the month ending June 14. Every important class of paper, except inter-bank loans, showed a decline, but the latter showed a slight increase.

Savings deposits were reduced nearly 4 per cent in representative banks in the Twin Cities and Du-

luth. Part of the decline was undoubtedly occasioned by loss of confidence due to the closing of a bank in St. Paul which carried a large volume of savings deposits, but the decline was too general to admit that this was the only explanation. It seems rather to be an accentuation of the downward movement which has taken place since the beginning of the year, and which may be attributed to declining employment. The total of savings deposits was nearly 2 per cent larger than on June 1 a year ago, but the average savings deposit balance was slightly lower.



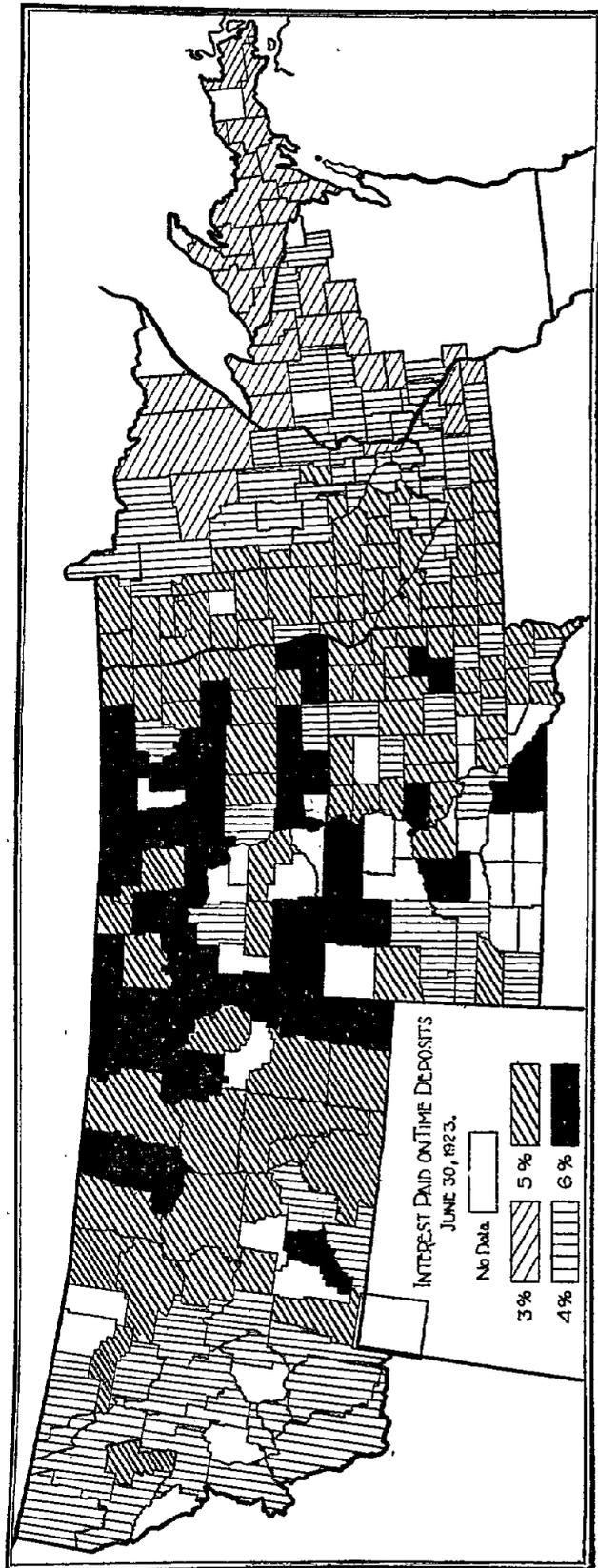
Average Savings Deposit Balance at Fourteen Minneapolis, St. Paul, and Duluth Banks. Curve adjusted to eliminate seasonal changes.

This Federal Reserve Bank experienced an increase of $2\frac{1}{2}$ millions during May in loans to member banks. Part of this went to Twin City banks and there were increases in loans to other Minnesota banks and to banks in North Dakota and South Dakota. Purchased bill holdings were reduced 2 millions and United States security holdings remained unchanged. Cash reserves increased nearly $1\frac{1}{2}$ millions, deposits were reduced 2 millions, although reserve deposits remained unchanged, and Federal reserve notes in circulation increased 4 millions.

During the first three weeks of June, the loans of this bank declined in the Twin Cities and in every state, except South Dakota and Michigan, indicating probably that the peak of spring operations has been passed. The decline amounted to 2 millions in all. Security holdings increased 3 millions, purchased bills remained nearly unchanged, and cash reserves were reduced $4\frac{1}{2}$ millions. Federal reserve notes which went out in large volume early in May, were reduced more than 1 million dollars during the first part of June, and deposits were reduced nearly one-half million on account of government withdrawals.

VARIATIONS IN INTEREST RATES ON TIME DEPOSITS IN THE NINTH FEDERAL RESERVE DISTRICT

Very pronounced differences appear in the rate of interest paid on time deposits in different parts of this district. The rate varies from 3 per cent to 6 per cent, and in one or two banks the rate was as high as 7 per cent. In general, the 3 per cent rate was quoted by banks in the mining and lumbering



Interest Rate Paid on Time Deposits by National Banks on June 30, 1923, by Counties, in the Ninth Federal Reserve District.

sections of northern Minnesota, Wisconsin and Michigan. In the mining and lumbering regions of Montana the rate was 4 per cent, and 4 per cent was quoted in the counties adjacent to the 3 per cent region in Minnesota and Wisconsin. The prevailing rate in the agricultural sections of Minnesota, South Dakota and Montana is 5 per cent. The 6 per cent rate was about as prevalent in North Dakota as the 5 per cent rate and appeared to be the most common rate in eastern Montana and northwestern South Dakota, with some scattered counties in other parts of the latter two states reporting this rate.

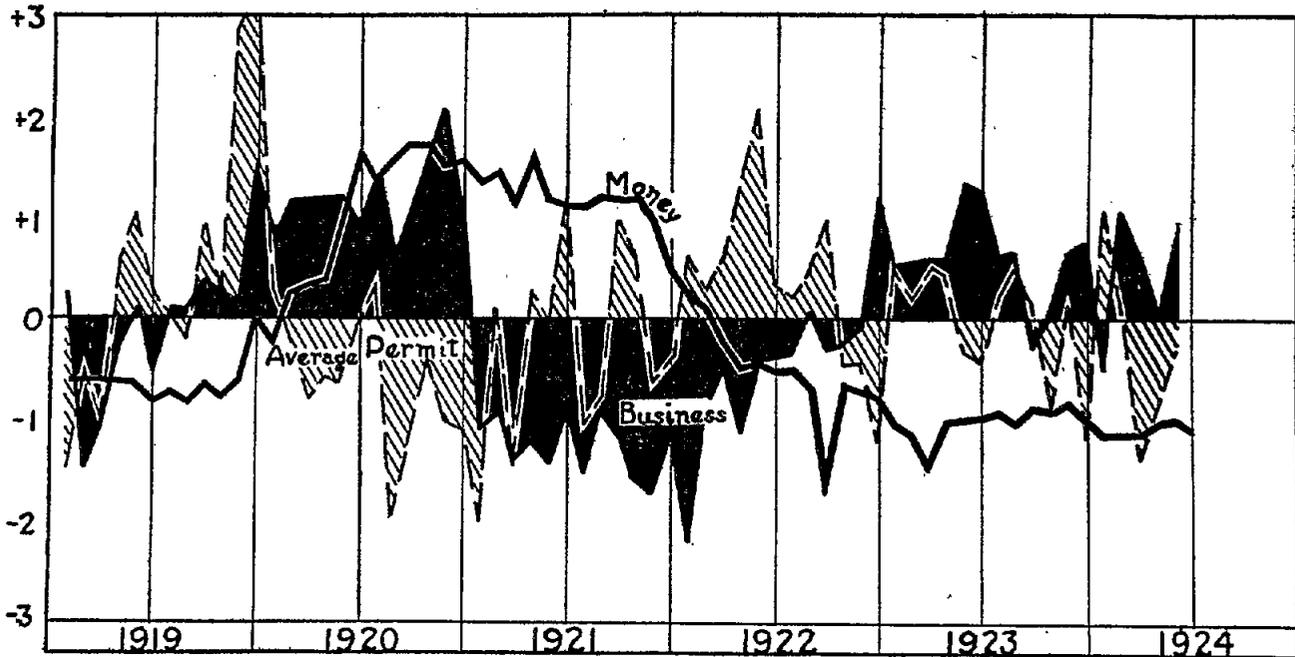
Various reasons might be given for the differences in the rate paid on time deposits between different sections of the district. Probably the most important reason is the need to attract outside capital into districts having a paucity of local savings. A contributing cause has been intense competition among local banks, forcing rates as high as can be paid and still leave a small profit. In some cases it is doubtful whether the high rates paid on time deposits leaves a margin of profit large enough to set

up adequate reserves for losses on the high rate paper which must be purchased by banks under such circumstances.

The lowest rates are paid in sections where the majority of the depositors are miners and laborers in the lumber industry, or composed of foreign-born who are not inclined to seek larger returns on their savings and where the local demand for loan accommodation does not utilize all the deposited funds, so that bankers in these sections must look to the general investment market for employment of a portion of their funds.

The accompanying map shows the median rate of interest paid on time deposits by national banks on June 30, 1923, which are the latest available figures. We understand that in some counties rates have since been lowered. In some counties, there is a considerable spread above and below the median rate and very frequently the same bank has two rates for certificates of deposit running for different lengths of time.

GRAPHIC SUMMARY OF URBAN BUSINESS CONDITIONS IN THE NORTHWEST

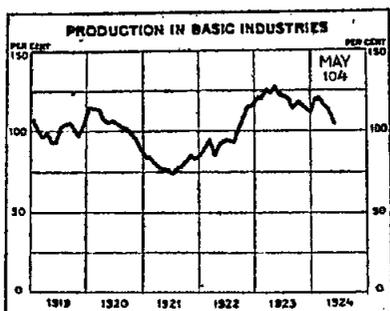


These curves have been constructed from data collected by this office and adjusted to eliminate seasonal influences. Adjustment for secular trends has been made except for the money curve.

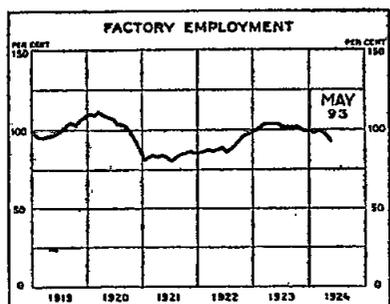
BUSINESS: The best single available index of general business is individual debits. These represent the aggregate dollar value of all payments made by bank checks, and therefore reflect both the volume of business and the prevailing prices. Allowance for secular trend is in the main an allowance for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

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

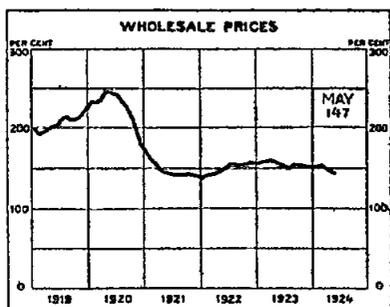
AVERAGE BUILDING PERMIT: The number and value of building permits granted are customarily accepted as indicative of prospective business activity. This graph, however, shows the average size of building permits for eighteen selected cities, thereby giving greater weight to the larger projects which are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



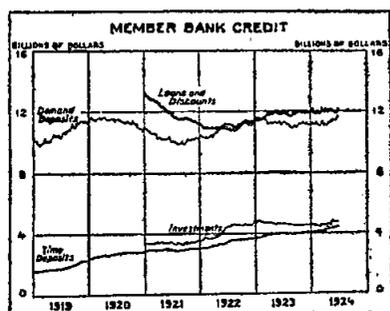
Index of 22 basic commodities corrected for seasonal variation (1919 = 100).



Index for 38 manufacturing industries (1919 = 100).



Index of U. S. Bureau of Labor Statistics (1918 = 100, base adopted by Bureau).



Weekly figures for member banks in 101 leading cities. Latest figures in millions, June 11:

Loans and discounts, 12,077; demand deposits, 11,785; investments, 4,720; time deposits, 4,348.

Summary of National Business Conditions

(Compiled June 25 by Federal Reserve Board)

Production of basic commodities and factory employment showed unusually large declines in May and were considerably below the level of a year ago. Purchases at wholesale and retail also declined during the month and were somewhat below last year's volume. Commercial loans at member banks decreased and there was a further decline in money rates.

PRODUCTION: The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variations, declined about 10 per cent in May to a point about 18 per cent below the peak reached a year ago. Particularly marked decreases were shown for production of iron and steel, and mill consumption of cotton. Output of anthracite, cement and tobacco products, on the other hand, was slightly larger than in April. Factory employment declined 4 per cent in May, the number of employees being reduced in almost all reporting industries. The largest reduction of working forces occurred in the textile, metal, automobile and leather industries. The value of building contracts awarded in May was 13 per cent less than the month before and for the first time since the beginning of the year fell below the corresponding month in 1923.

The Department of Agriculture forecasts as of June 1 indicated smaller yields of wheat, oats and barley as compared with the harvests of 1923. The condition of the cotton crop on May 25 was 5 per cent lower than a year ago and 7 per cent below the average condition for the past 10 years.

TRADE: Railroad shipments showed a slight increase in May, but were 8 per cent smaller than a year ago. Car loadings of all classes of freight, with the exception of grain and livestock, were smaller than in May, 1923.

Wholesale trade decreased slightly in May and was 6 per cent less than in May, 1923. Sales of dry goods, shoes and hardware were much smaller than a year ago, while drug sales were slightly larger. Retail trade at department stores and mail order houses declined during May more than is usual at that season and was smaller than last year. Department store stocks were 4 per cent smaller in May than in April and 3 per cent larger than a year earlier.

PRICES: Wholesale prices, as measured by the index of the Bureau of Labor Statistics, declined 1 per cent during May to a level about 8 per cent below the high point reached in the spring of 1923. Prices of all commodity groups, with the exception of food, declined in May. During the first half of June quotations on wheat, corn, rye, and milk increased while prices of hogs, beef, cotton and lumber declined.

BANK CREDIT: Decreased demand for credit for current business requirements between the middle of May and the middle of June was reflected in a smaller volume of borrowing for commercial purposes at member banks in leading cities. Further purchases of corporate securities by these banks and larger loans on stocks and bonds, however, resulted in an increase for the month in their total loans and investments. There was an unusually large increase in net demand deposits of these banks, which carried the total of these deposits to the highest figure on record.

At the Federal Reserve Banks between May 21 and June 18 there was a further decline in discounts for member banks and in acceptances purchased in the open market. Government securities holdings, on the other hand, increased and total earning assets were somewhat larger than a month ago.

The prevailing ease in the money market was reflected in a further decline from $4\frac{1}{4}$ to $3\frac{1}{2}$ — $3\frac{3}{4}$ per cent in rates on prime commercial paper in New York. The June 15 issue of six months treasury certificates bore a rate of $2\frac{3}{4}$ per cent compared with 4 per cent on a similar offering last December.

Discount rates at the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, and San Francisco were reduced from $4\frac{1}{2}$ to 4 per cent during June, and the rates in Boston, New York and Philadelphia were reduced to $3\frac{1}{2}$ per cent.