

MONTHLY REVIEW

OF
 AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
 NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY FOR THE MONTH

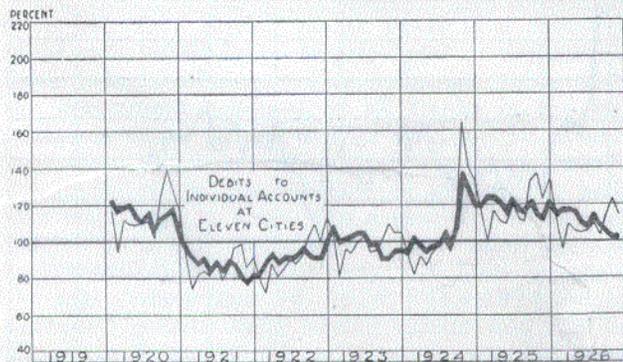
The outstanding event of November in this Federal Reserve District was the marketing of all classes of live stock in very large amounts. The total number of head of all varieties received at South St. Paul was 24 per cent over a year ago. Hog receipts reached record-breaking totals for November and were 49 per cent larger than in October in number of head. However, owing to the large proportion of stock pigs received, average weights were much lighter than a year ago. These extraordinary receipts of live stock were reflected in the check payments through banks in the cities having live stock terminals, the gains in individual debits over November of last year being 23 per cent for South St. Paul and 10 per cent for Sioux Falls. In the face of such heavy marketings some price declines were inevitable. Median hog prices dropped \$1.50 per hundredweight, and other varieties of live stock declined in price as compared with October median prices. It is noteworthy that as compared with a year ago, price changes of live stock exhibited as many gains as losses, so that the live stock price situation in general was fully as favorable as in November of last year. Shipments of stockers and feeders during November were nearly double the total for the same month a year ago, hog shipments alone being more than three times as large as last year.

In this district grain receipts at terminals continued to exhibit totals below a year ago, the volume in November being one-third below last

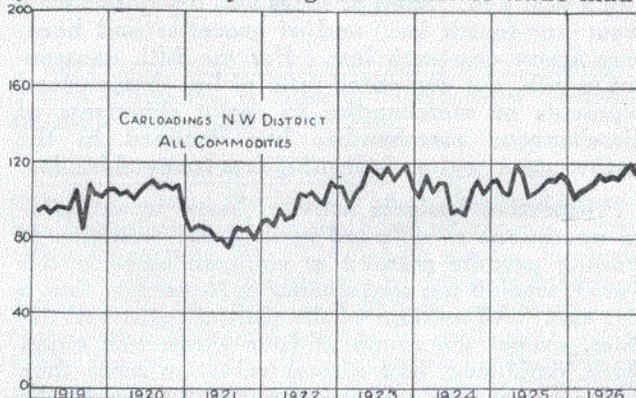
year. This has been reflected in November carloadings for grain and grain products, which were 26 per cent below last year. The median prices of the grains during November as compared with a year ago declined 15 cents for wheat, 18 cents for corn and 34 cents for flax, and increased 23 cents for durum, 14 cents for rye, 6 cents for oats and 1 cent for barley. As compared with October medians, small declines were shown for all the grains, except durum and flax. Grain stocks in terminal elevators at the end of November equaled those at the end of October and were 10 per cent greater than last year.

The physical volume of business, as measured by carloadings for November, was slightly larger than a year ago. Gains in carloadings were shown for live stock, coal, coke, forest products and merchandise. On the other hand, November shipments of linseed products and flour and sales of lumber in board feet at retail yards scattered throughout this district, were substantially less than a year ago.

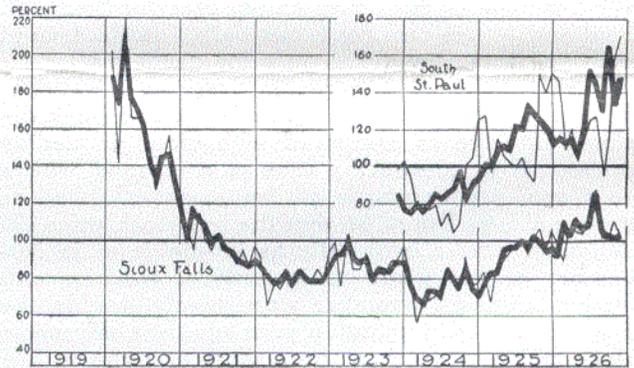
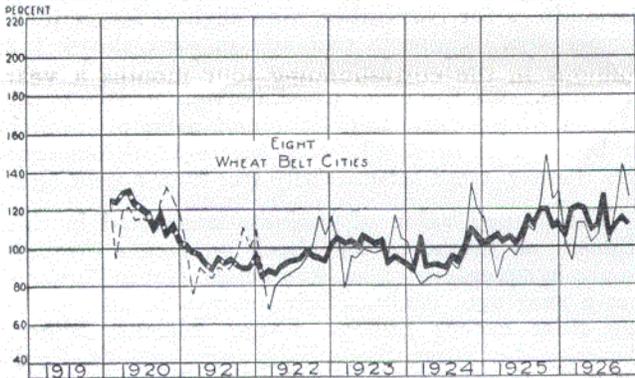
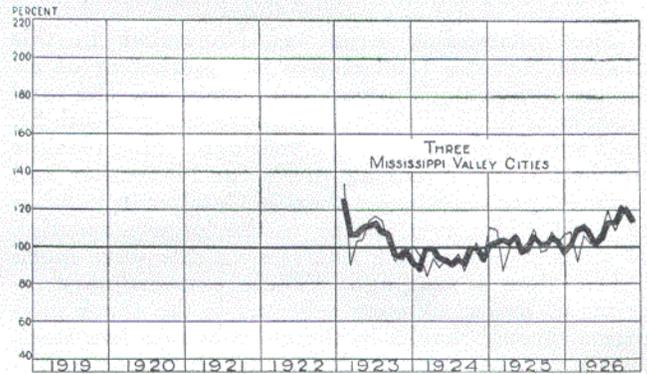
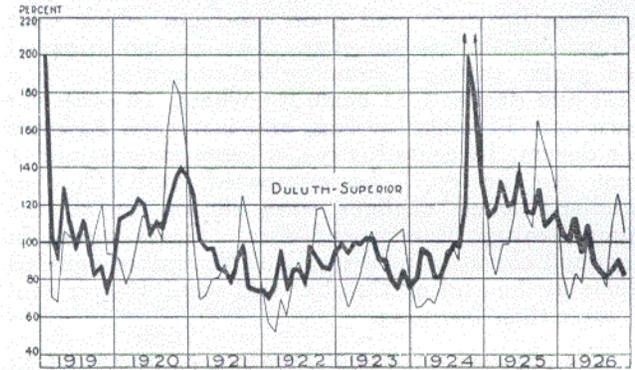
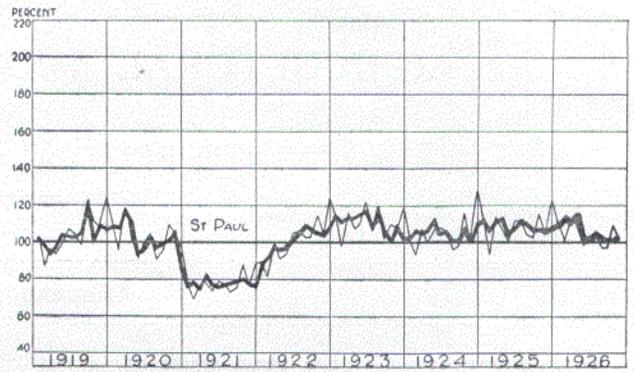
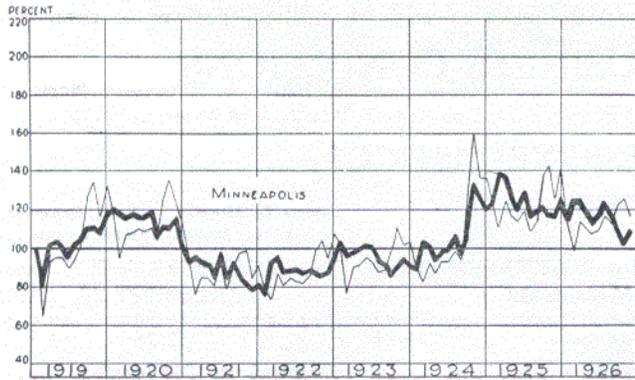
The money value of business transacted in this district, as measured by check payments through banks in seventeen cities, was below that in November a year ago, declines being shown in all reporting cities except Billings, Fargo, Helena, Minot, Superior, LaCrosse, Sioux Falls and South St. Paul. Of these the first four named are in the wheat belt, and the last two named have live stock receiving terminals. Sales at retail by department stores located in twelve cities within this district were slightly smaller than a year ago. Wholesale trade made



Debits to Individual Accounts at Banks in Eleven Cities of the Ninth Federal Reserve District. Heavy curve represents figures adjusted to eliminate seasonal changes; light curve represents actual, or unadjusted figures.



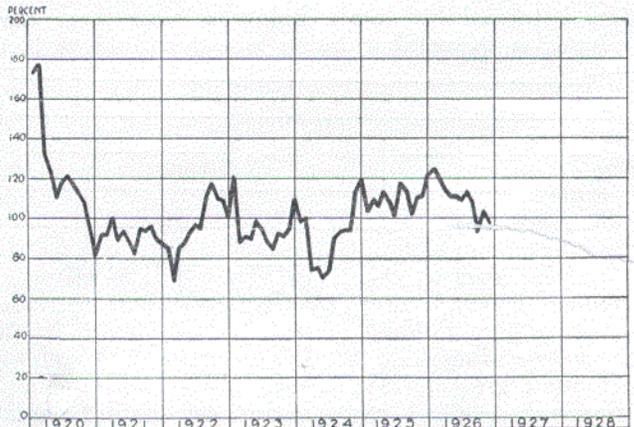
Total Freight Carloadings in the Northwestern District by Months 1919-1926. Curve adjusted to eliminate seasonal changes.



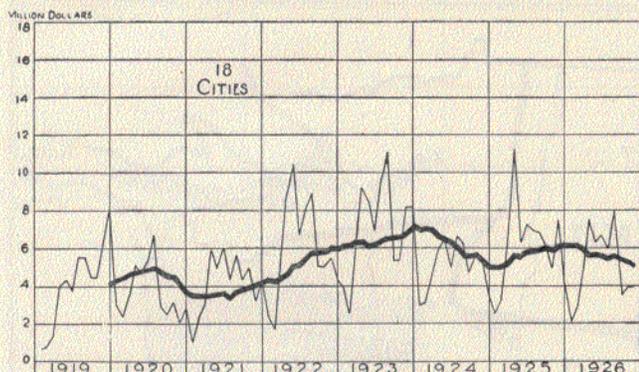
Debits to Individual Accounts at Banks in Cities and Regional Groups of Cities in the Ninth Federal Reserve District. Heavy curves represent figures adjusted to eliminate seasonal changes; light curves represent actual figures.

a much poorer showing in November as compared with a year ago. Sales of shoes and dry goods were about one-fourth less, and of groceries and hardware about one-tenth less. For the fifth consecutive month, our computed ratio of less-than-carload shipments of merchandise to carlot shipments of miscellaneous merchandise has declined in the northwestern region, indicating less forward buying.

Prospective business activity, based upon building operations as reflected in the total valuation of building permits granted at eighteen cities in this district, was 48 per cent smaller in November than a year ago. All sections of the district registered declines, except the group of four wheat belt cities, which, combined, had a total valuation more than double a year ago. As compared with October, the total valuation for the district increased much less than is usual at this season.

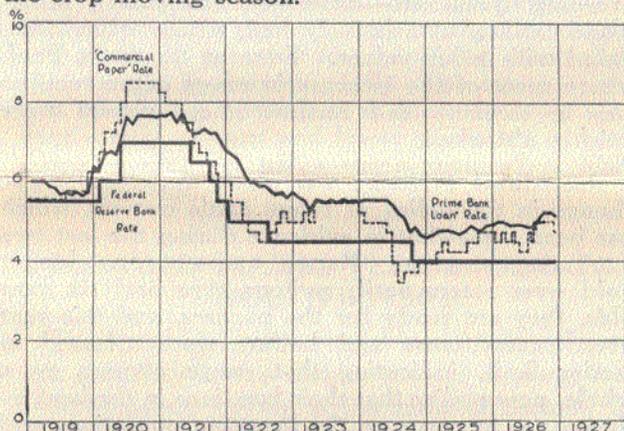


Lumber Sales by Country Retail Yards in the Ninth Federal Reserve District, with Seasonal Changes Eliminated. (Original data was in board feet.)



Valuation of Building Permits Issued at 18 Cities in the Ninth Federal Reserve District. Light curve, actual figures, heavy curve, 12 months moving average.

The banking situation in the middle of December was not quite as favorable as at the same time last year. However, there was considerable improvement as compared with a month earlier, this improvement being particularly noteworthy in interest rates, which re-acted from the recent peak during the crop moving season.



Interest Rates at Minneapolis on Prime Bank Loans, Commercial Paper and Federal Reserve Bank Loans 1919-1926.

TOPICAL REVIEWS

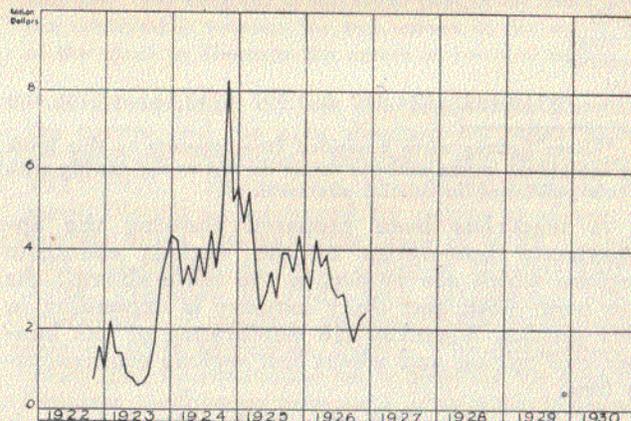
Investment holdings of banks in the Northwest have increased during recent years at a relatively rapid rate, while loans largely local or commercial have been declining. The following table gives the investment holdings of all banks in the four complete states of this district on June 30 of each year from 1923 to 1926. It is important to note the variations in the increase of investment holdings from year to year. As a result of small farm income in 1923, there was a very small increase in investment holding of only 1 million dollars in the year ending June 30, 1924. The 1924 income provided greater debt paying power and the decline in loans and increase in deposits enabled banks to add 116 million dollars of investments to their holdings in the year ending June 30, 1925. In the year ending June 30, 1926, deposits remained quite stationary and loans continued to decline, which en-

abled banks to add 36 million dollars to their investment holdings.

Investment Holdings of All Banks in Minnesota, North Dakota, South Dakota and Montana
(000's omitted)

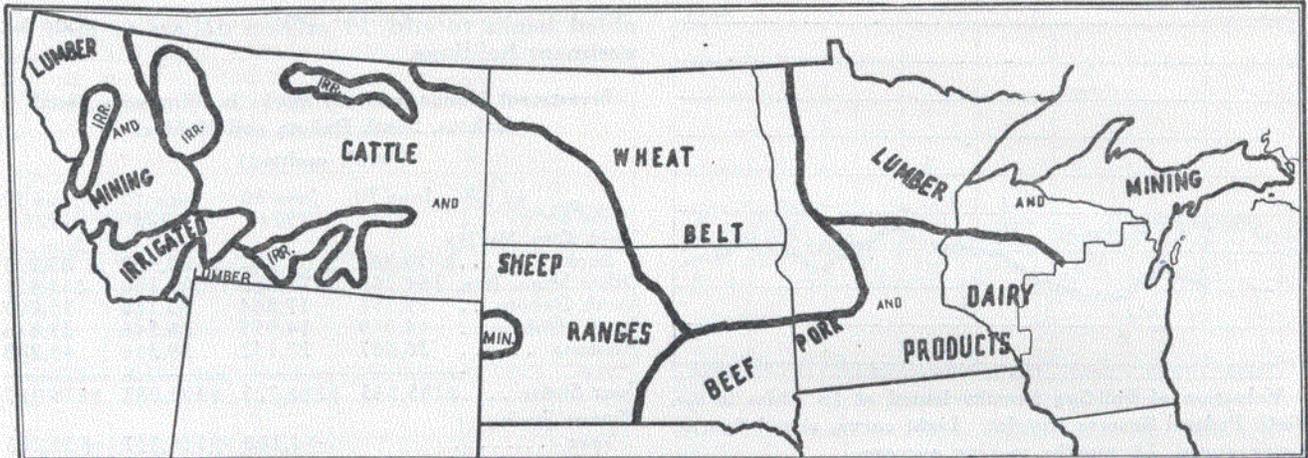
	June 30 1923	June 30 1924	June 30 1925	June 30 1926
Twin City Nat'l Banks	\$ 59,941	\$ 55,102	\$ 80,900	\$ 85,935
Other Minn. Bks.	164,742	171,669	221,106	245,321
North Dakota	19,356	17,864	35,166	35,007
South Dakota	14,619	14,958	26,546	29,816
Montana	26,887	27,132	39,364	43,288
Four States	\$285,545	\$286,725	\$403,082	\$439,367
Change during Year		+1,180	+116,357	+36,285

The situation as to loanable funds of the banks is also shown by reports of security sales to banks by representative Minneapolis and St. Paul investment dealers. For the year ending June 30, 1924, sales amounted to 36 million dollars. In the following year sales increased to more than 54 millions and in the year ending June 30, 1926, sales amounted to more than 42 million dollars. During the period from August to November, 1926, which is the time of year when banks usually have more funds to invest in securities than at any other time of the year, security sales by these dealers amounted to only 8½ million dollars, as compared with 15 2/3 millions in the corresponding four months a year ago. This is undoubtedly a reflection of reduced money returns from the crop this year.



Sales of Securities to Banks by Representative Investment Dealers in Minneapolis and St. Paul.

The distribution of deposits in the various economic regions of the Ninth Federal Reserve District has been estimated on the basis of reports to this office as of June 30, 1924, which are the latest reports available. The volume of deposits outside of Minneapolis, St. Paul and Duluth, are shown for the several economic regions in each state in the table below. The distribution is necessarily approximate because county totals were used in making up the original figures. There are banks in each region whose deposits are not directly connected with the predominant industry of the section.



Economic Regions of the Ninth Federal Reserve District.

Approximate Regional Distribution of Bank Deposits in the Ninth Federal Reserve District on June 30, 1924, Excluding Minneapolis, St. Paul and Duluth

(000's omitted)

	Wheat Belt & Irrigated Farming Regions	Beef, Pork & Dairy Regions	Cattle & Sheep Ranges	Mining & Lumber Regions	Total*
Mich.	.....	.....	.....	\$ 80,510	\$ 80,510
Minn.	\$ 90,406	\$342,603	.....	64,211	497,220
Mont.	39,783	.....	\$17,148	62,703	119,634
N. D.	120,359	.....	18,070	.....	138,429
S. D.	59,649	89,011	25,179	5,304	179,143
Wis.	92,433	29,439	121,872

Ninth Federal Reserve Dis- trict	\$310,197	\$524,047	\$60,397	\$242,167	\$1,136,808
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*These figures were compiled from reports to this bank by individual banks and the totals do not agree exactly with totals published in official abstracts.

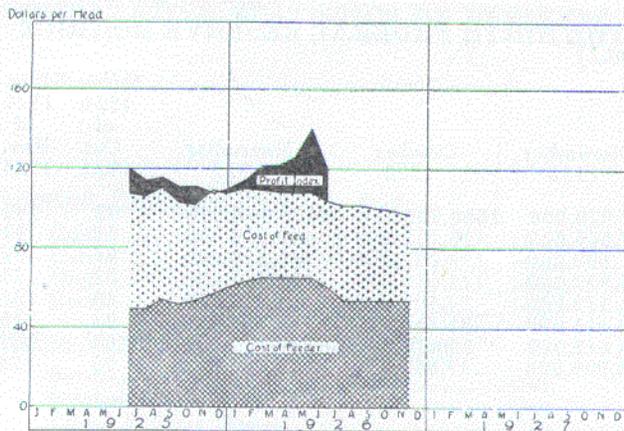
A map has been prepared showing the approximate boundaries of the various economic regions which are named in the table above. As the beef, pork and dairy industry is expanding in this district, it makes the significance of the lumber and mining and wheat belt regions progressively less.

An improvement in the beef cattle industry is evident from an analysis of the 1926 range marketing season. Although an increase in range cattle marketings occurred at South St. Paul, most of the other regular range cattle markets showed a decrease in range receipts, indicating that range cattle owners have cut their herds to a size that can be carried without further liquidation. While heavy steers sold on a lower basis than last year, on account of plentiful supplies of corn-fed animals and the rapid disappearance of consumptive demand for heavy wholesale cuts, heavy steer prices were considerably over the five year average. She-stock values continued to increase, selling higher than in 1925 and much above the five-year average.

Beef cattle raisers and feeders have evidently reached the conclusion that the industry is entering a profitable period as they have consistently bought stockers and feeders since the middle of August. Stock heifers—foundation material for expanding breeding operations—have been particularly in demand, selling at relatively high prices when compared with killer values. Even at South St. Paul, where most of the increase in range cattle receipts was in stockers and feeders, these classes were quickly absorbed.

Additional evidence was given this year of the change in the policy of range cattle owners, which has been somewhat in evidence during the last two marketing seasons. Range operators no longer hold over steers until, as four, five and six year olds, they are ready for the packers, and this year even excess cows and heifers were released in feeder flesh, indicating that range owners, as a whole, now realize that their functions in the beef industry are to carry on the breeding operations and to deliver their product to the corn belt farmer for finishing. Direct shipments of calves from the ranges to feedlots continued to increase, stockyard receipts being smaller than in 1925 and of poorer quality. This held true at South St. Paul, despite the larger total range receipts, with the result that the demand for good stock calves has consistently exceeded the supply and prices have been above vealer values.

An index of the profitableness of feeding cattle in this district is presented in the accompanying chart. For each month from June, 1925, to November, 1926, the chart shows the median cost of a 900-pound feeder steer at South St. Paul and the cost of feed for five months at representative prices in the month when the feeder steer was purchased. The feeds used are figured on a purchase basis. The profitableness would be greater for farmers who have sufficient supplies of corn and roughage on hand. The chart also shows the selling price of the steer at 1,200 pounds and classed as a prime butcher steer at South St. Paul, five months after the purchase of the feeder steer and feed. From this



Steer Feeding Costs and Profits in the Northwest.

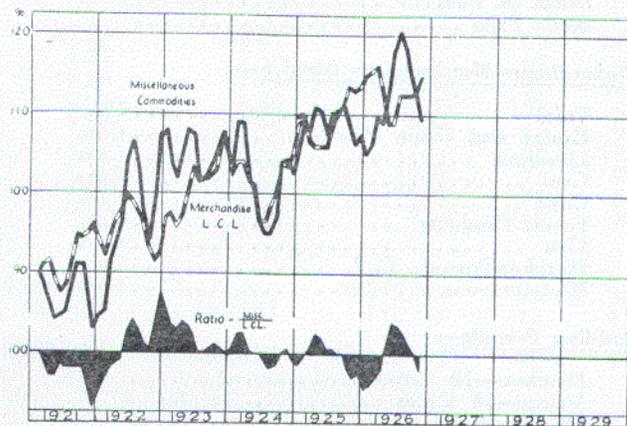
chart it is apparent that the original cost of a feeder steer and sufficient feed to increase its weight 300 pounds is lower this fall than a year ago. The median price of the prime butcher steer in November (plotted above the June cost point) was at the same level as in November a year ago. From present appearances, therefore, the profitableness of feeding steers is greater this year than a year ago and probably accounts for the strong demand for light weight feeders this fall. The lower original cost of feeding operations is due to a more abundant supply of corn and lower prices for corn and cotton seed meal which more than offset higher prices for hay.

FORWARD BUYING VERSUS HAND-TO-MOUTH BUYING

The best index now available reflecting the current tendency in this district toward or away from hand-to-mouth buying is the **ratio of carload lots of miscellaneous merchandise to the less-than-carload lots of merchandise** in the northwestern region, as reported to the American Railway Association. Doubtless this is a better index than would be a ratio of less-than-carload lots of merchandise to total carloadings of all kinds of freight, because the total carloadings of all kinds of freight include many bulk commodities, such as coal, ore, lumber and grain, which are always shipped in carload lots and which are in no way related to wholesalers' or retailers' inventory policies.

The facts regarding this ratio of carloadings of miscellaneous merchandise to less-than-carload lots of merchandise in the northwestern region are graphically presented in the accompanying chart. Bi-monthly moving averages are shown in the two curves in the upper portion of the chart, each curve expressed as percentages of the average monthly volume for its series. Seasonal changes have been removed.

In the lower part of the chart, the relation between the two curves is shown using the curve of less-than-carload lots as the base. When there is such confidence in the future as to lead merchants and business men to increase their forward buying, it is indicated by the shaded areas above the ratio base line, and a contrariwise tendency to think so poorly of the future as to order from hand-to-mouth is shown by the shaded areas below the ratio base line. This latter condition of sentiment prevailed during and immediately following the depressions of 1921 and 1924.



Freight Carloadings of Miscellaneous Commodities in Carload Lots and Merchandise in Less-than-carload Lots in the Northwestern District. The curves in the upper portion of the chart have been adjusted to eliminate seasonal changes. The diagram in the lower part of the chart shows the relationship between the two curves in the upper part of the chart to illustrate the extent of forward buying.

It is important to test the tendencies shown in the curves and the area diagram by other indices of business conditions covering the same years, 1921-1926. Business in the Ninth Federal Reserve District as measured by debits at eleven reporting cities was at a low level in 1921, rising in 1922, declining in 1923, rising in the last half of 1924, declining in 1925 and declining in 1926. Uniformity of trends is apparent between these two sets of facts except in 1926. The differences in 1926 may be accounted for in part by the fact that business confidence was very high until it became evident, as the crop matured, that it was seriously deficient in quantity and not as good in quality and price as the preceding year. Apparently merchants stocked heavily in anticipation of an average or good crop, which did not materialize.

Carloadings of miscellaneous merchandise, corrected for seasonal changes have been declining since July and less-than-carload lot loadings of merchandise, similarly corrected, have been rising since May. One must conclude, therefore, that merchants in this district have been, since the summer months, proceeding more cautiously as to forward buying.

COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT

Debits to Individual Accounts—	Unit	November 1926	October 1926	November 1925	%Nov.	%Nov.
					1926	1926
17 cities		\$817,920,000	\$888,988,000	\$875,678,000	92	93
Minneapolis		397,575,000	428,157,000	427,730,000	93	93
St. Paul		161,100,000	172,237,000	166,210,000	93	97
Duluth-Superior		99,932,000	121,610,000	136,943,000	82	73
8 Wheat Belt Cities.....		65,379,000	74,599,000	64,559,000	88	101
3 Mississippi Valley Cities.....		20,413,000	21,856,000	18,503,000	93	110
South St. Paul.....		54,612,000	50,673,000	44,472,000	108	123
Sioux Falls		18,909,000	19,856,000	17,261,000	95	110
Carloadings—Northwestern District—						
Total	Cars	582,922	798,913	580,835	87	100
Grains and Grain Products.....	Cars	45,410	65,873	61,096	69	74
Livestock	Cars	45,077	50,963	42,115	88	107
Coal	Cars	51,475	45,989	41,446	112	124
Coke	Cars	6,818	8,071	6,313	84	108
Forest Products	Cars	72,632	78,160	71,906	93	101
Ore	Cars	62,084	181,280	65,028	34	95
Merchandise—L. C. L	Cars	140,263	148,736	133,874	94	105
Miscellaneous	Cars	159,163	219,841	159,057	72	100
Building Permits—						
Number—18 Cities		1,175	1,857	1,752	63	67
Value—18 Cities		\$3,939,100	\$3,903,100	\$7,592,400	101	52
Minneapolis		1,437,200	1,564,600	4,507,100	92	32
St. Paul		1,523,700	1,043,400	1,636,500	146	93
Duluth-Superior		358,200	447,100	893,100	80	40
4 Wheat Belt Cities.....		237,000	182,600	105,600	130	224
6 Mixed Farming Cities.....		361,300	466,900	378,400	77	95
4 Mining Cities.....		21,700	198,500	71,700	11	30
Building Contracts Awarded—						
Total		5,281,300	9,776,300	5,872,200	54	90
Residential		3,628,000	3,409,000	3,946,300	106	92
Commercial, Industrial & Utility.....		779,200	5,568,100	1,366,400	14	57
Educational		495,600	395,500	400,000	125	124
All other		378,500	403,700	159,500	94	237
Grain Receipts at Minneapolis and Duluth-Superior—						
Wheat	Bu.	15,647,158	19,695,840	22,976,390	79	68
Corn	Bu.	455,720	697,034	742,414	65	61
Oats	Bu.	1,593,828	2,837,048	4,121,005	56	39
Barley	Bu.	2,130,436	2,343,965	3,224,827	91	66
Rye	Bu.	1,633,384	1,878,986	1,835,597	87	89
Flax	Bu.	3,092,979	6,201,422	3,522,289	50	88
Grain Stocks at End of Month at Minneapolis and Duluth-Superior—						
Wheat	Bu.	19,383,214	18,040,685	14,815,943	107	131
Corn	Bu.	647,408	1,128,850	57,085	57	1,134
Oats	Bu.	26,680,056	27,292,682	29,152,230	98	92
Barley	Bu.	3,892,629	3,613,069	3,994,813	108	97
Rye	Bu.	8,570,797	8,511,013	6,551,636	101	131
Flax	Bu.	3,181,670	3,103,030	2,124,059	103	150
Median Cash Grain Prices—						
Wheat—No. 1 Dark Northern.....	Bu.	\$1.48 ³ / ₈	\$1.52 ⁷ / ₈	\$1.63 ⁵ / ₈	97	91
Durum—No. 2 Amber.....	Bu.	1.64	1.52	1.40 ⁵ / ₈	108	117
Corn—No. 3 Yellow.....	Bu.	.73	.74 ¹ / ₄	.91 ¹ / ₂	98	80
Oats—No. 3 White.....	Bu.	.41 ³ / ₈	.42	.35 ³ / ₄	99	116
Barley—No. 3	Bu.	.62	.63 ¹ / ₂	.61	98	102
Rye—No. 2	Bu.	.93 ¹ / ₂	.94 ³ / ₄	.79	99	118
Flax—No. 1	Bu.	2.22	2.20 ¹ / ₄	2.56	101	87

COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT
(Continued)

	Unit	November 1926	October 1926	November 1925	%Nov. 1926 of Oct. 1926	%Nov. 1926 of Nov. 1925
Livestock Receipts at South St. Paul—						
Cattle	Head	154,648	183,606	122,386	84	126
Calves	Head	65,619	66,395	49,780	99	132
Hogs	Head	486,099	326,922	423,781	149	115
Sheep	Head	150,450	237,795	93,377	63	161
Median Livestock Prices at South St. Paul—						
Butcher Cows	Cwt.	\$5.25	\$5.25	\$4.75	100	111
Butcher Steers	Cwt.	7.25	7.50	7.50	97	97
Prime Butcher Steers	Cwt.	10.00	11.75	10.00	85	100
Stocker & Feeder Steers	Cwt.	6.00	6.00	6.35	100	94
Veal Calves	Cwt.	9.50	10.00	9.00	95	95
Hogs	Cwt.	11.25	12.75	11.10	88	101
Heavy Hogs	Cwt.	9.75	10.75	10.00	91	98
Lambs	Cwt.	13.00	13.50	15.00	96	87
Ewes	Cwt.	6.00	6.00	7.50	100	80
Flour—						
Production—Twin Cities & Duluth-Superior	Bbbs.	1,072,714	1,431,020	1,240,126	75	87
Shipments from Minneapolis	Bbbs.	960,835	1,338,857	1,152,320	72	83
Linseed Products Shipments from Minneapolis.	Lbs.	32,533,338	42,105,432	49,866,002	77	65
Retail Sales—						
22 Department Stores		\$2,583,680	\$2,775,640	\$2,628,620	93	98
518 Lumber Yards	Bd. Ft.	14,800,000	20,664,000	17,751,000	72	83
Retail Merchandise Stocks—						
19 Department Stores		\$7,226,950	\$7,235,550	\$8,118,540	100	89
472 Lumber Yards	Bd. Ft.	88,796,000	94,830,000	98,345,000	94	90
Life Insurance Sales (4 States)		\$22,898,000	\$22,091,000	\$24,723,000	104	93
Wholesale Trade—						
Farm Implements—5 firms		136,300	163,850	137,540	83	99
Hardware—13 firms		1,967,870	2,133,670	2,127,070	92	93
Shoes—5 firms		552,760	746,670	755,170	74	73
Groceries—46 firms		4,946,620	5,054,010	5,592,850	98	88
Business Failures—						
Number		83	118	90	70	92
Liabilities		\$721,000	\$949,673	\$963,797	76	75
Securities Sold—						
To Banks		2,425,900	2,263,700	4,384,700	107	55
To General Public		4,164,900	4,670,200	5,352,300	89	78
Ninth Federal Reserve District Member Banks—						
Net Demand Deposits		440,625,000	432,988,000	466,660,000	102	94
Time Deposits		432,860,000	435,105,000	433,519,000	99	100
24 City Member Banks—						
		Dec. 15 1926	Nov. 17 1926	Dec. 16 1925	%Dec. of Nov.	%Dec. of Dec.
Loans		\$250,441,000	\$250,488,000	\$254,068,000	100	99
Securities		110,702,000	115,070,000	116,375,000	96	95
Net Demand Deposits Subject to Reserve ..		220,657,000	224,029,000	239,048,000	98	92
Time Deposits		126,473,000	123,038,000	109,132,000	103	116
Borrowings at Federal Reserve Bank		700,000	5,950,000	2,537,000	12	28
Minneapolis Federal Reserve Bank—						
Loans to Member Banks		3,996,704	9,251,729	6,298,551	43	63
Federal Reserve Notes in Circulation		67,887,765	66,921,105	69,292,905	101	98