

MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY OF BUSINESS

Business in the district is in the transition period between crop years. The effects of the old crop year continue to be felt in some localities and industries, while the new crop is beginning to affect other parts of the business structure. Debits to individual accounts at seventeen representative cities averaged 13 per cent larger during the early summer months than in the corresponding months last year. In August the increase over last year's figures was reduced to 7 per cent and in the first three weeks of September debits were slightly smaller than in the same weeks last year. The reduction in September, as compared with last year, was confined to Minneapolis, Duluth, Aberdeen, Minot, Red Wing and Winona. The other eleven cities showed good increases ranging from 5 to 24 per cent.

Our country check clearings index gives further evidence that business outside of the larger cities continues larger than a year ago. In August the index was 12 per cent larger than in August last year, and in the first eighteen days of September the index was 11 per cent larger than in the corresponding days last year. The greatest increase over last year (16 per cent) was in North and South Dakota. Minnesota and the portions of Wisconsin and Michigan which are in this district showed about a 10 per cent increase. Montana showed a very small increase.

Detailed records of August business show that postal receipts, flour and linseed product shipments, building contracts, wholesale trade, country lumber sales and security sales were larger than in August a year ago. Department store sales, life insurance sales, building permits and warranty deeds recorded were smaller than in the corresponding month last year. Carloadings of freight equalled the volume in August 1927. Business failures were only forty-six in number during August, the smallest number since July 1921.

Farm income presents pronounced contrasts, chiefly on account of prices. Prices of cash grains have suffered a serious decline and were lower in August than a year ago, with the exception of rye. Prices of livestock and livestock products are either very high or are well sustained, and were higher in August than a year ago, with the excep-

tion of the price of ewes. The price situation is shown in detail in the full page chart on the fifth page of this review. The net result of marketings and prices was that the total farm income from wheat, rye, flax, potatoes and hogs was 13 per cent smaller during August than the income in August a year ago.

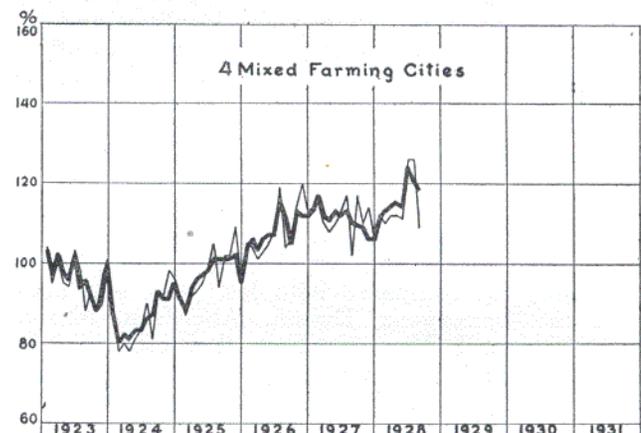
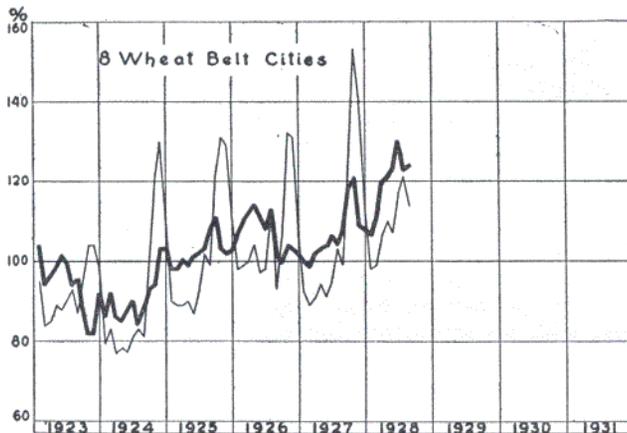
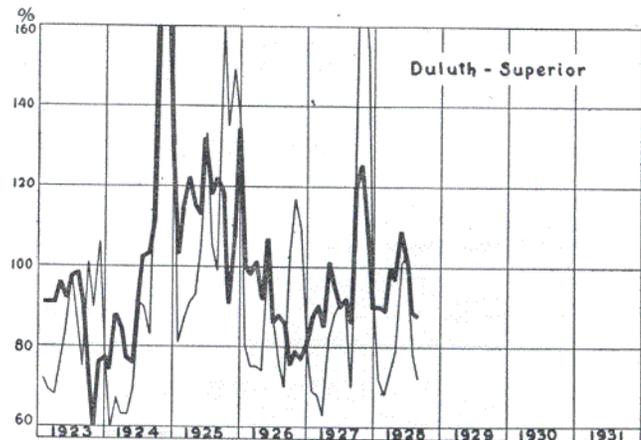
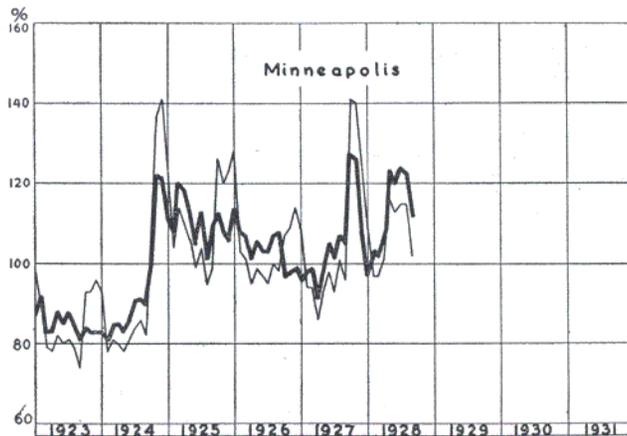
The September 1 crop forecasts of the United States Department of Agriculture showed only minor changes in this district from the forecasts a month earlier. All of the cash crops are larger than the ten-year average, with the exception of rye, but all of the cash crops are smaller than a year ago, with the exception of durum wheat and potatoes. Feed crops are all larger than the ten-year average, with an important increase of 77 per cent indicated for barley. The crops of corn and hay are smaller than a year ago and the crops of oats and barley are larger than a year ago, according to these forecasts.

Relative Size of 1928 Crops in Minnesota, North Dakota, South Dakota and Montana

	Per cent of 1927 crop	Per cent of the average crop 1918-1927
Cash Crops		
Spring Bread Wheat	98	127
Durum Wheat	111	150
Winter Wheat	79	132
Rye	66	72
Flax	88	140
Potatoes	104	108
Feed Crops		
Corn	97	107
Oats	111	101
Barley	114	177
Tame Hay	77	108

Dairy products yielded 12 per cent more revenue in July 1928 than in July 1927. The August figures are not yet available. Stocks of creamery butter in the United States on September 1 were 27 million pounds smaller than a year ago, and were slightly smaller than the five-year average, showing the reason for the higher butter prices prevailing this year than a year ago.

The prices of the various grades of beef cattle are at the highest levels since the decline of prices



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.

at the close of the war. Hog prices are higher than last year, but have not regained the levels of 1925 and 1926. Sheep and wool prices are sustained at the levels of the last seven years. However, it is significant that the prices paid for ewes are at the lowest level in recent years, indicating a diminution of the strong demand for breeding stock which has existed for a number of years. The United States Department of Agriculture has advanced the date of publication of its wool production estimates. The 1928 wool clip in Montana, North Dakota, South Dakota and Minnesota amounted to 39 million pounds this spring, which was worth approximately 15 million dollars at prices prevailing at shearing time. This represents an increase of 3 million dollars over the value of the 1927 clip. The lamb crop was 342 thousand head larger this year than a year ago.

	Wool Shorn (Thousand Pounds)		Lamb Crop (Thousand Head)	
	1927	1928	1927	1928
Minnesota ..	4,211	4,740	446	494
North Dakota	3,187	3,420	308	316
South Dakota	5,160	5,644	439	506
Montana ...	24,229	25,370	1,656	1,875
Four States..	36,787	39,174	2,849	3,191

DISTRICT SUMMARY OF BANKING

The reduction in borrowings by country banks from this Federal Reserve Bank is not progressing as rapidly this year as a year ago. The peak of borrowings by country banks was a week later this year than last year, and the reduction from the peak has been 1 million dollars smaller up to September 19 than the reduction during the corresponding period last year. This is not necessarily a criterion of the total reduction in borrowings from this bank by country banks which may be expected, for the reduction customarily continues until the first part of December.

Country bank balances with city correspondent banks in this district have failed to show as large an increase this year as a year ago. Last year from the low point of the summer to the middle of September there was an increase of 16 million dollars. This year the increase has been only 9 million dollars.

City banks in the district have experienced the customary increase in demand for loans. Commercial loans have increased 14 million dollars since the low point of the summer, and loans secured by

stocks and bonds have remained stationary. Investment holdings were reduced 4 million dollars in the two weeks ending September 12. The increase in commercial loans has been accomplished without increased borrowing from the Federal Reserve Bank, for increases in deposits "due to banks," other demand deposits and time deposits occurred at the same time.

**NINTH DISTRICT BANKING POSITION—
JUNE 30, 1928**

Deposits of all banks in the Ninth Federal Reserve District on June 30, 1928 amounted to 1,677 million dollars, an increase of 62 million dollars over the total a year ago. The volume of deposits in the district now is approximately the same as the average held during the last eight years. The increase in deposits over last year was shown by city and country banks alike, with the exception of country banks in Minnesota and North Dakota. Deposits in the portions of Wisconsin and Michigan which are included in this district are at the highest level in their history.

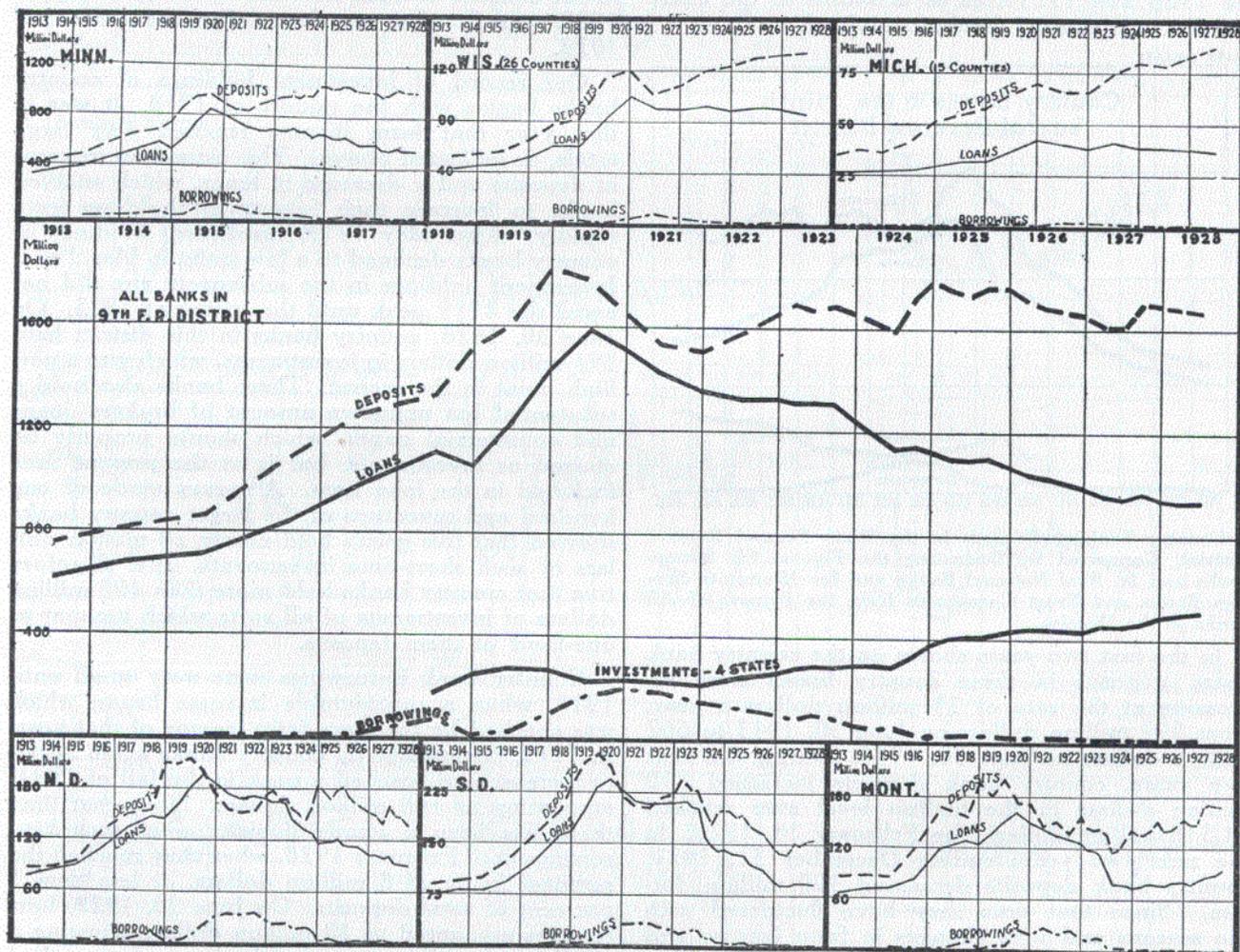
Loans of all banks in the district totaled 940

million dollars on June 30, 1928, showing a decrease of 8 million dollars as compared with the same date a year ago and an increase of only 1 million dollars over the volume of loans on February 28, 1928, when the lowest level was reached since 1916. As compared with the volume of loans a year ago, there were increases in South Dakota and Montana and decreases in the other states.

Investment holdings of banks in this district were the largest in history on June 30, 1928, and amounted to 600 million dollars. Every state showed an increase in investment holdings during the last year. The combined increase was 73 million dollars.

Borrowings by banks decreased 1 million dollars during the year. Country banks reduced their borrowings 5 million dollars and city banks increased their borrowings 4 million dollars.

Real estate holdings of banks in the district were reduced 5 million dollars during the year. The number of banks decreased by 124. On June 30, 1928, there were 2,555 banks operating in the district, the smallest number in our record which began in 1913.

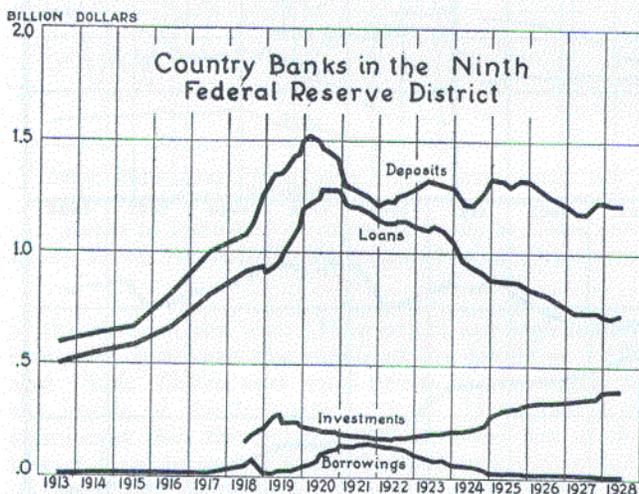


Loans, Deposits, Investments and Borrowings of All Banks in the Ninth Federal Reserve District.

COUNTRY BANKING 1913-1928

By deducting the figures for Minneapolis and St. Paul national banks and for savings banks and trust companies in Minnesota from the records for all banks in the Ninth Federal Reserve District, it is possible to secure a reasonably accurate record of the history of country banking in the district. This computation has recently been made and the results are shown in the chart below. The figures as computed include the records of banks at Duluth and the records of state banks in Minneapolis and St. Paul other than savings banks and trust companies. It is not believed that this is a serious flaw in the record, aside from the fact that the figures are slightly larger than would be the case if these city bank figures could be eliminated.

The historical chart of country banking shows a striking similarity to the chart for all banks in the district, which is published on another page of this review. This similarity is easily explained since country banks have more than two-thirds of the total banking resources of the district. The most significant difference in the two charts is that country bank deposits have not regained as much of the 1920 and 1921 loss as is shown in the chart for city and country banks combined.



Country Banking Records in the Ninth Federal Reserve District, Computed by Deducting the Figures for Minneapolis and St. Paul National Banks and for Minnesota Savings Banks and Trust Companies from the Figures of All Banks in the District.

In the first two years shown on the country bank chart, deposits in these country banks were increasing at the rate of 35 million dollars a year, from 597 million dollars on June 30, 1913 to 667 million dollars on June 30, 1915. During the next five years, country bank deposits increased 850 million dollars to the highest level ever reached (1,518 million dollars) on February 28, 1920. In the next two years ending December 31, 1921, country bank deposits decreased 300 million dollars. Since that time they have fluctuated with the seasons and with changes in farm income and other factors around an average of 1,260 million dollars. On June 30, 1928, country bank deposits

amounted to 1,220 million dollars, and have shown an unusually small decline from the total of the previous fall.

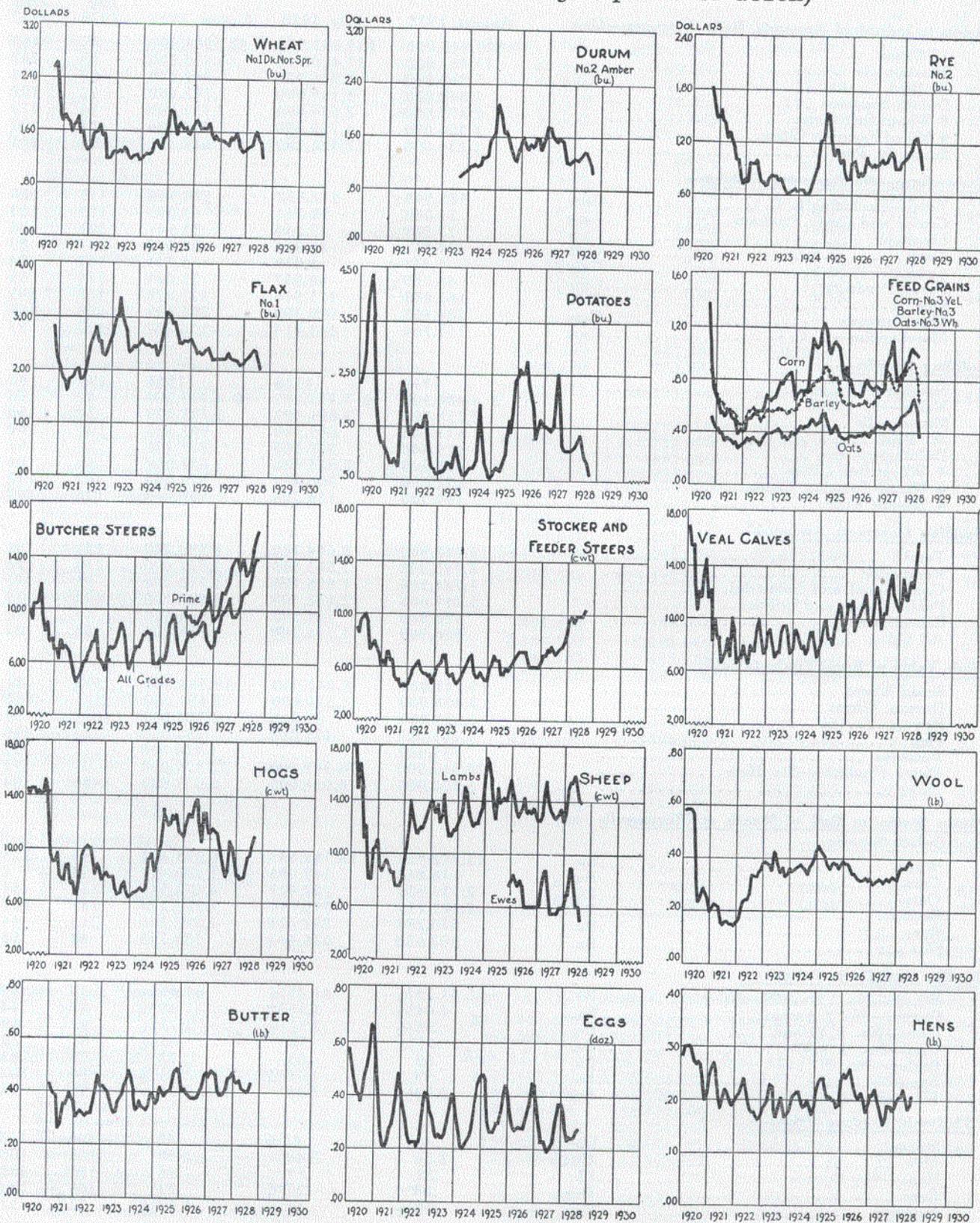
Loans of country banks paralleled the rise in deposits during the five years ending with June 30, 1918. The 1918 wheat crop in Minnesota, North Dakota, South Dakota and Montana was worth 551 million dollars, according to the United States Department of Agriculture's estimates. Other crops and items of farm income were also large and the result was a very sharp increase in deposits, together with a decrease in loans. This decrease in loans was short-lived and was succeeded by a rapid increase during 1919 and the first half of 1920. It is significant that loans continued to rise for four months after deposits began to fall in 1920, and then remained stationary in amount for five months while deposits continued to decline. The relationship between deposits and loans in 1920 illustrates graphically the difficulties of banks caused by the hard winter of 1919, which was ruinous to range cattle raisers, and the decline in prices in 1920. From November 1920 until the present year there has been an almost uninterrupted decline in loans. The minor increase in loans between February and June 1928 is the first increase shown since the summer of 1923.

Our record of investment holdings of country banks begins with the middle of 1918. It was in that year that farm income reached very large totals, as indicated above. This caused an increase in deposits and a decrease in loans, which enabled banks to increase their investment holdings very rapidly. After May 1919, investment holdings of country banks declined to a low point in May 1922. Investment holdings in the subsequent rise did not equal the 1919 peak until the spring of 1925. On June 30, 1928, country banks in this district held 391 million dollars in investments, which was a new high point in the record. These banks also hold a substantial but unknown amount of brokers' loans and commercial paper, which should properly be classed as investments, but is at the present time included in the loan item. A survey made of one hundred and seventeen of the larger country banks showed that this group held nearly 20 million dollars of such short-time investments. It is therefore true that country banks hold more than 400 million dollars of investments of all sorts which amount to one-third of their deposits.

Country bank borrowings were very small until 1918, when a considerable increase began which was checked by the large farm income of that year. In 1919, borrowings by country banks again began to increase and reached a peak in the fall of 1921, amounting to 148 million dollars. Since that time there has been a steady liquidation of such borrowings until February 1928, when they reached the nominal figure of 8 million dollars, or less than 1 per cent of total deposits. On June 30, 1928, borrowings amounted to 10 million dollars, showing a small seasonal increase over the low point reached last winter.

NORTHWESTERN FARM PRODUCT PRICES

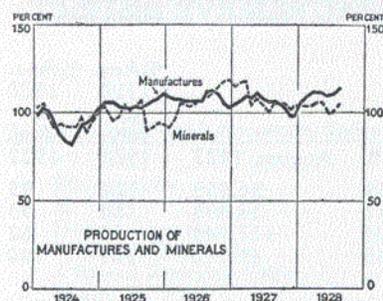
(Price per bushel, hundredweight, pound or dozen)



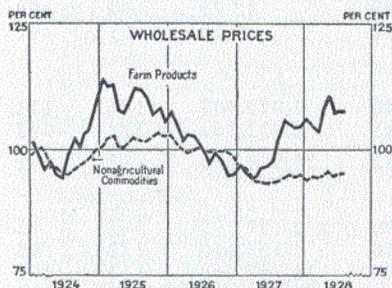
COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT

Debits to Individual Accounts, Daily Averages—Unit	August, 1928	July, 1928	August, 1927	% Aug.	% Aug.
				1928 of July 1928	1928 of Aug. 1927
17 Cities	\$29,448,000	\$33,032,000	\$27,591,000	89	107
Minneapolis	15,467,000	17,420,000	14,458,000	89	107
St. Paul	5,988,000	6,916,000	5,742,000	87	104
Duluth-Superior	2,848,000	3,105,000	2,782,000	92	102
8 Wheat Belt Cities	2,477,000	2,634,000	2,151,000	94	115
4 Mixed Farming Cities	1,534,000	1,769,000	1,434,000	87	107
South St. Paul	1,134,000	1,188,000	1,024,000	95	111
Carloadings—Northwestern District—					
Total—Excluding L. C. L.	Cars 588,949	512,952	589,368	115	100
Grains and Grain Products	Cars 71,086	38,761	69,039	183	103
Livestock	Cars 27,507	27,239	31,941	101	86
Coal	Cars 24,106	16,421	29,035	147	83
Coke	Cars 5,411	5,039	5,741	107	94
Forest Products	Cars 68,165	60,067	72,025	113	95
Ore	Cars 187,689	175,516	177,978	107	105
Miscellaneous	Cars 204,985	189,909	203,609	108	101
Merchandise—L. C. L.	Cars 151,766	141,814	156,204	107	97
Building Permits—					
Number—18 Cities	1718	1726	1883	100	92
Value—18 Cities	\$ 4,480,100	\$ 5,457,200	\$ 6,411,200	82	70
Minneapolis	2,128,300	2,891,400	3,791,600	74	56
St. Paul	673,800	665,300	981,400	101	69
Duluth-Superior	215,600	393,600	377,200	55	57
4 Wheat Belt Cities	620,500	1,023,600	657,000	61	94
6 Mixed Farming Cities	692,400	366,600	524,000	189	132
4 Mining Cities	149,500	116,700	80,000	128	187
Building Contracts Awarded—					
Total	10,448,500	8,604,700	9,836,700	121	106
Residential	2,295,000	1,665,500	2,942,000	138	78
Commercial and Industrial	1,724,500	1,898,100	1,232,700	91	140
Public Works and Utilities	5,045,600	2,622,100	3,888,100	192	130
Educational	396,500	704,700	644,700	56	62
All Other	986,900	1,714,300	1,129,200	58	87
Cash Value of Farm Products Sold—					
Bread Wheat	15,111,000	3,842,000	18,591,000	393	81
Durum Wheat	3,488,000	1,577,000	2,691,000	221	130
Rye	1,377,000	76,000	2,388,000	1812	58
Flax	1,203,000	458,000	751,000	263	160
Potatoes	735,000	1,426,000	52
Dairy Products—See Note	25,562,000	26,342,000	22,875,000	97	112
Hogs	6,226,000	6,966,000	6,613,000	89	94
Grain Stocks at End of Month at Minneapolis and Duluth-Superior—					
Wheat	Bu. 15,722,878	16,982,533	6,073,444	93	259
Corn	Bu. 116,814	345,088	1,596,437	34	7
Oats	Bu. 2,139,930	157,427	6,993,341	136	31
Barley	Bu. 2,222,196	295,044	1,326,794	753	167
Rye	Bu. 570,274	267,227	1,292,386	213	44
Flax	Bu. 307,858	636,443	585,758	48	53
Median Cash Grain Prices—					
Wheat—No. 1 Dark Northern	Bu. \$1.23 ³ / ₄	\$1.45 ¹ / ₄	\$1.49 ³ / ₈	85	83
Durum—No. 2 Amber	Bu. 1.04 ¹ / ₂	1.19 ³ / ₄	1.40 ³ / ₄	87	74
Corn—No. 3 Yellow	Bu. .98 ¹ / ₂	1.01 ⁵ / ₈	1.11 ¹ / ₈	97	89
Oats—No. 3 White	Bu. .35 ¹ / ₄	.58	.45 ³ / ₈	61	78
Barley—No. 3	Bu. .62	.85	.75	73	83
Rye—No. 2	Bu. .93	1.10 ¹ / ₄	.91 ³ / ₈	84	102
Flax—No. 1	Bu. 2.04 ¹ / ₂	2.20	2.21	93	93
Wholesale Produce Prices—					
Butter	Lb. .44	.41 ¹ / ₂	.40	106	110
Milk	Cwt. 2.56	2.48	2.38	103	108
Hens—4 ¹ / ₂ Pounds	Lb. .21	.19	.16	111	131
Eggs	Doz. .28 ¹ / ₂	.27 ¹ / ₄	.23	105	124
Potatoes	Bu. .58 ¹ / ₂	.81	1.12 ¹ / ₂	72	52

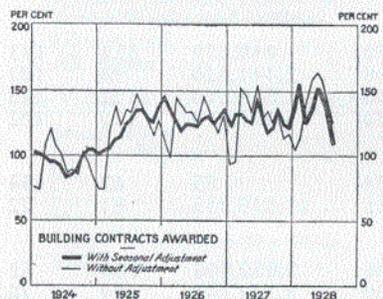
Note—Dairy Products figures for July, 1928, June, 1928 and July, 1927.



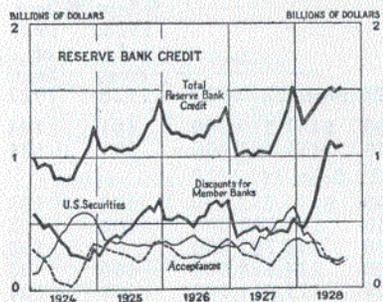
Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-25 average=100). Latest figures, August, manufactures, 114, minerals, 105.



Index of United States Bureau of Labor Statistics (1926=100, base adopted by Bureau). Latest figure, August, farm products, 107, non-agricultural 96.7.



Federal Reserve Board's indexes of value of building contracts awarded, as reported by the F. W. Dodge Corporation, (1923-25 average=100). Latest figures, August, adjusted index 111, unadjusted index, 126.



Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages for first 22 days of September.

Summary of National Business Conditions (Compiled September 25 by Federal Reserve Board)

The volume of industrial and trade activity increased in August and there was a further advance in wholesale commodity prices. Reserve bank credit outstanding increased in September, reflecting in part seasonal demands for currency and credit. Money rates remained firm.

PRODUCTION: Production of both manufactures and minerals increased considerably in August, the output of manufacturing plants being larger than at this season of any earlier year. Automobile production was in record volume in August, and available information indicates that output was maintained by many producers at a high level during September. Iron and steel production continued large in August and September, and output of non-ferrous metals increased between July and August. Textile mill activity, which had been somewhat reduced in recent months, also showed a substantial increase. Factory employment and payrolls have increased since midsummer and in August were close to the levels of a year ago. In the building industry there was evidence of recession in a sharp decline after the early summer in contracts awarded, which were in smaller volume during August than in the corresponding month of any year since 1924. In the first three weeks of September, however, awards were somewhat larger than last year.

Estimates of the Department of Agriculture for September 1 indicate that yields of principal crops will be larger than last year and above the average for the preceding five years.

TRADE: Distribution of commodities showed seasonal increases in August, although sales in most lines of wholesale and retail trade did not equal the unusually large sales of August, 1927. Department store stocks increased as is usual in August, but continued smaller than a year ago, while inventories in several lines of wholesale trade were somewhat larger than last year. Freight carloadings were in about the same volume in August as a year earlier. Shipments of miscellaneous commodities and grains were larger and those of coal, livestock and forest products were smaller than last year.

PRICES: The general level of commodity prices increased in August and the Bureau of Labor Statistics' index at 98.9 per cent of the 1926 average was the highest in nearly two years. Increases in August were chiefly in the prices of livestock and livestock products, which are now higher than at any time since 1920. There were also small increases in fuel, metals and building materials. Grains and cotton showed sharp declines, and there were decreases also in hides and skins and wool. Since the first of September there have been some declines in livestock and meats, and a sharp further decrease in cotton, while prices of pig iron, copper and petroleum have advanced.

BANK CREDIT: Between the middle of August and the middle of September there was a considerable increase in the loans and investments of member banks in leading cities. Part of the increase was in loans on securities and part reflected a seasonal increase in other loans. Deposits of the member banks also increased during the period. The volume of Reserve bank credit outstanding increased during the four weeks ending September 19 in response to seasonal demands for currency and growth in member bank reserve requirements. The increase in total bills and securities was largely in holdings of acceptances and in discounts for member banks. During the same period there were further increases in open market rates on collateral loans and on commercial paper, while rates on bankers' acceptances were reduced from $4\frac{5}{8}$ per cent to $4\frac{1}{2}$ per cent.