

# FEDERAL RESERVE BANK OF CHICAGO

---

## REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT NOVEMBER 1, 1918, COMPILED OCTOBER 17, 1918

---

Business throughout the Middle West, and especially in the territory included in the Seventh Federal Reserve District, is exceedingly active and satisfactory as to results. Here and there are found some spots which, because of local or other conditions, have not fully adjusted themselves to war production to the extent of their capacity. Taken as a whole, however, the Chicago Federal Reserve District may be said to be on a war production basis.

There is evidence everywhere of greater activity and prosperity as the crop proceeds flow into business channels. The increased business of manufacturing enterprises engaged on war contracts is resulting in a larger and wider distribution of the proceeds of Liberty loans in the shape of wages and in payment for materials.

### **Trend in Individual Economy.**

Careful inquiry, however, fails to reveal any marked increase in the direction of individual economy in buying among the wage earning class, such as has been in evidence among the more well-to-do element. Those who have been accustomed to accumulate wealth out of their incomes, are manifesting conservatism in personal expenditures, especially in the less essential lines such as house furnishings, pianos and ornaments, and this tendency toward prudent buying is increasing.

The wage earners, especially in the munition and manufacturing centers, appear to be spending their incomes freely although at the same time they are subscribing liberally for Liberty Bonds. It is the consensus of opinion among those who come in contact with this element that patriotic appeal and education are the most effective means of developing greater thrift in this direction. The increase in the number of Liberty Loan subscribers is the most assuring evidence that the development of thrift is progressing and spreading rapidly in the Middle West.

### **Farmers Merchandise Purchases Liberal But Prudent.**

The reports from the agricultural districts indicate that while the farmer is buying merchandise liberally, yet there is evidence of the exercise of prudence in his purchases. It is difficult to measure with any degree of accuracy the extent of his prosperity, other than through the increase in his individual deposits at the local banks. His methods of bookkeeping are too crude to embrace any system of cost accounting. He, is generally speaking, a Liberty Bond buyer, however, and is contributing to the war by efforts to increase the volume of marketable farm products as is indicated by the increase in wheat acreage seeded in Indiana, Illinois and in the increased production of livestock, especially hogs.

### **Crop Conditions Propitious.**

Crop conditions throughout the Middle West are propitious. The weather has been favorable to Fall plowing and seeding and the ground is in good condition. The quality of the corn being harvested is good and in Illinois corn is said by producers to be the best in a number of years, while the yield in this state is above that of normal years. In Indiana, outside a strip in the Northern part, the corn crop is better than the average. Iowa has a good corn crop in Northern portion of the state, but that in the Southern part reflects the damage caused in the early part of the growing season. Wisconsin is showing up well in crop production and in plowing for next year's crop.

Michigan farmers were delayed in the harvesting by the cold weather. The corn crop in that territory, while somewhat below the average of former years, is better in quality and larger in quantity than that of last year. The Michigan bean crop is below the average owing to dry weather. The potato production in that state is below last year's yield but will be a fair crop. The barley and oat crop exceed the ten year average by twenty per cent so that with an excellent quality of grain and a large acreage of buckwheat and a better apple production than for a number of years, Michigan's agricultural prosperity is assured.

Taking these conditions throughout the district, with the exception of Southern Iowa, agricultural prosperity is sufficiently great to stimulate increased activity in other lines in support of the Government.

### **Strong Demand for Money in Evidence.**

Money continues in strong demand and rates are firm at six per cent. The banking position is reported satisfactory in view of the war financing and the requirements for essential business. Collections generally are good. The borrowing at the banks has resulted in a further increase in the loan items despite the restrictions placed on non-essential credits. This is traceable to Government financing. Corroborative evidence of this is found in the fact that a little less than one-third of the loans and rediscounts of the Federal Reserve Bank of Chicago is represented by paper involving other than Government securities. Advices from the agricultural districts indicate the country banks are in a position to handle business satisfactorily, and many country banks report that if cars were available for shipment of grain, their entire indebtedness could be liquidated at once.

The Liberty Loan has been pretty well anticipated by the banks through the purchase of treasury certificates of indebtedness. To the extent that subscribers borrow at the banks to meet payments as they fall due on Liberty Bonds, there will be reflected, of course, an expansion in the loan items of the banks.

### **Merchandising Shows Increase.**

Merchandising in agricultural districts is estimated at from ten to forty per cent greater in September than last year. Stocks of merchandise in the Middle West are reported generally larger than usual in the hands of retail merchants, but offsetting this is a steady demand and the limitations on prompt deliveries and supplies of materials and manufacturers caused by the war requirements.

It is the consensus of opinion that merchants' stocks are not excessively large under present conditions. The merchants all through the Middle West as a rule are proceeding with caution and conservatism in making commitments for the future, realizing the difficulty in quickly reducing stocks and the hazard of large stocks purchased at high prices, should peace bring a

sharp decline in the fabric market. The delays in obtaining merchandise, however, have an offsetting value through accumulating civilian requirements in steadying prices when peace comes and the war embargoes are removed.

### **Clothing Trade Sound.**

Merchants in all parts of the country are providing in a normal way for their Spring (1919) requirements of high grade clothing. There has been a certain amount of speculation in other classes of merchandise according to advices but owing to high prices, dealers have not speculated in high grade goods.

The advices from this class of merchants is that the retail clothing business is on a healthy basis now and the accumulating requirements and present restrictions will keep it so until after the war.

### **Movement of Livestock Heavy.**

Livestock production has been stimulated by the high prices and the prospect for an abundant crop of corn and pasturage. The primary markets reflect a heavy run of both cattle and hogs in the depressing effect on the price. The substantial decline in the market price for livestock, especially hogs, together with the influenza epidemic, affected the trade and caused a systematic decline in fresh meat prices, although the trade in provisions is seasonable.

Receipts of livestock at Chicago for the four weeks ending October 12, 1918, compare with a like period in 1917, as follows:

	Cattle	Calves	Hogs	Sheep
1918.....	372,892	41,490	462,060	699,389
1917.....	341,608	43,171	262,044	404,514

There appears to be a larger number of hogs preparing for the market earlier this year than usual and the indications point to a large run for the coming season. Obviously this has a tendency to intensify the demand for funds at the banks. Certain heavy stock growing counties in Southwestern Iowa are long on cattle and hogs and short on corn, but this can be easily supplied comparatively nearby. It is evident that the production forces of the Middle West are being directed toward an increase in the food supply. There is so much merchantable new corn all through the Middle West, however, that with recurring high prices there is a possibility that the corn may be marketed rather than fed, thus later curtailing livestock production.

### **War Industries Board Rulings Check Buying.**

Restricted allotments by the War Industries Board of raw material to agricultural implement manufacturers necessarily is curtailing the output of farm machinery. This and the restriction on pleasure automobile production, is expected to force greater economy in buying all through the farming sections. The farmer will be forced to repair and use his old implements to a considerable extent.

Shortage of farm help contributes to an increase in the requirements of improved implements. The allotment of material to implement makers, however, is believed by manufacturers sufficient to care for the imperative demand.

Naturally the lumber industry is considerably affected by the embargoes on shipments for the less essential purposes and the further restriction on building construction. The movement of stocks of lumber through retail yards in the Middle West is estimated at about fifty per cent of normal.

### Food Products in Demand.

Grocers report active business in food products throughout the entire line and a tonnage in the last month larger than a year ago. They are experiencing no difficulty in selling food products but the trouble is to obtain them. The question of price apparently is not deterring the consumer in the Middle West from buying.

### Middle West Coal Supply Ample.

The coal situation is reassuring in this district. Producers report a larger supply of Indiana and Illinois coal on hand in this territory than ever before at this time of the year. Consequently they see little prospect of any serious shortage this winter. The problem now giving the Fuel Administration and the coal operators most concern is, whether the zone for Indiana and Illinois coal is sufficient to absorb production during the next two months and at the same time not decrease production in other competing districts. The inability of concerns relying on coal from West Virginia, Eastern Kentucky and Pennsylvania, is forcing them to buy the better grades of Indiana and Illinois coal.

Clearings in Chicago for the first seventeen days of October were \$1,290,095,988 being \$27,687,286 or 2.1 per cent greater than for the corresponding seventeen days in October, 1917. Clearings reported by nineteen cities in the district outside of Chicago amounted to \$381,655,000 for the first fifteen days of October, 1918, as compared with \$298,818,100 for the first fifteen days of October, 1917. Deposits in twelve central reserve city member banks in Chicago were \$897,000,000 at the close of business October 17, 1918, and loans were \$622,000,000. Deposits show an increase of approximately \$15,000,000 over those of September 17 last, and loans a decrease of approximately \$8,000,000.

### RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO (000's Omitted)

	RECEIPTS				SHIPMENTS			
	August		September		August		September	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls. ....	686	460	919	622	384	447	597	566
Wheat, bu. ....	27,250	3,091	14,872	2,010	17,429	1,894	10,228	1,277
Corn, bu. ....	5,254	4,050	9,530	2,931	2,728	1,791	2,857	1,376
Oats, bu. ....	22,765	14,924	11,417	14,767	9,360	8,167	8,730	11,101
Cured Meats, lbs. . .	20,270	11,452	22,439	11,997	73,214	78,280	66,371	67,540
Fresh Meats, lbs. . .	105,686	76,768	101,389	76,710	121,638	114,979	113,058	109,797
Lard, lbs. ....	8,909	7,229	7,260	4,411	15,708	20,825	22,137	12,644
Cheese, lbs. ....	14,365	19,649	17,156	21,022	6,026	9,555	5,368	9,181
Butter, lbs. ....	27,037	39,337	21,134	29,232	18,834	32,854	16,981	27,965
Eggs, cases. ....	459	449	337	361	213	239	284	237
Hides. ....	9,951	8,360	11,115	8,654	12,399	18,053	8,906	15,398
Lumber, M. ft. ....	208	315	171	283	78	173	68	143
Potatoes, bu. ....	702	909	1,877	966	169	106	446	182