FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

NOVEMBER 25, 1919

Compiled November 22, 1919

While business continues active in most lines of production throughout the Seventh Federal Reserve District, there is reflected here and there, especially in the metal trades, the effect of the interference with the steel industry by the strike. Many manufacturers either report that their supply of steel is running low, thus restricting operation, or is so depleted as to bring plant operations to a standstill. In the basic industry, however, the steel mills are gradually increasing operation notwithstanding the strike, until in some instances they are approaching capacity.

Another factor which is causing apprehension is the coal strike. While this has been officially called off, the miners are not yet working to any appreciable extent in the Middle West. This has made a serious inroad in the fuel supply. The available supply of coal is only sufficient to meet the requirements of a very few weeks.

Money is in Strong Demand

Money is in strong demand in all parts of the Middle West. This is reflected clearly in the volume of rediscounts and borrowings by the member banks of the Federal Reserve Bank. Assurances from bankers point to the liquidation of these loans the first of the new year when the cattle now being fed and grain still being held on the farms can be moved conveniently. This applies more especially to Iowa which is the heaviest of the cattle feeding States in the Seventh District. Wisconsin is expected to clean up its produce around January 1.

The general outlook in the district, therefore, is for an easing up in money as soon as the seasonal demand is cared for, especially if the pressure from the Federal Reserve Board has the desired effect of releasing money employed in speculation. Rates on prime bankers' acceptances recently advanced slightly both as to rediscount and brokers' purchases.

High Living Cost Still Troublesome Factor

Living costs continue to be the embarrassing feature in the industrial situation, and the recession in certain prices which is still moderate is already finding its reflection in the situation in the agricultural districts. Farmers seem to be somewhat worried over the fact that what they have for sale must be disposed of at lower prices while what they have to buy must be obtained at higher prices, the latter condition being attributed by them to the persistent demand of labor for shorter hours, curtailing production, and for higher wages. Even labor on the farms is demanding a much higher wage and shorter hours and necessarily this, if persisted in, means a cut in the plan of production to a point where it can be cared for by the farmer without the employment of outside labor.

Land Activity Halts but Financing Problem Remains

High prices obtained for farm lands in Iowa and in sections of Illinois are resulting in the curtailment of activity in the movement of land and in some instances there has been a slight reaction in values. The problem of financing this land activity and speculation continues, as the settlement under land contracts already in existence falls around the first of March next year.

The enhancement in rentals in Iowa has also been a factor in checking the rise in farm lands, many farmers insisting upon a rental basis approximately 100 per cent greater than in previous years. Even at the present range of produce prices it is held impossible to show a farm income justifying some of the extravagant prices which purchasers have contracted to pay for farm acres. Correspondents generally are inclined to condemn land speculation as a source of public peril.

Wage Earners Continue to Spend Lavishly

Wage earners continue to be lavish in their expenditures and this is spreading to the clerical forces as well as those employed in factories, according to advices from merchants. The demand from these classes is for the more expensive fabrics and the desire for pretty things is so insistent as to result in the sacrifice of savings and even Liberty Bond investments in many instances. The tendency away from thrift is indicated further by the fact that the highest priced merchandise is not always the most serviceable, as for instance hosiery, waists and goods of that character.

Retail Price Recession is Stubborn

Careful surveys of food prices by official and private investigators reveal little change in the cost of subsistence compared with previous months. Heavy receipts of cattle and hogs have brought down the prices of meat rations for careful buyers who are shrewd enough to take advantage of the wide range for different grades and qualities of indentical food value. Beef quotations at the Union Stock Yards range from $5.50 to $21.00 at the present writing. This "spread" indicates the difference between lean and ill-favored starvelings at the $5.50 end and the corn-fed aristocrat of the herd at the other.

Translated into local prices at the butcher shop, this "range" means pot roasts quoted all the way from 15 to 28 cents a pound, rib roasts from 11 to 38 cents a pound and porterhouse steaks from 22½ cents to 60 cents a pound, according to the neighborhood served and the number of slow accounts carried on the butcher's books. The taste is the same.

Ignore Opportunities for Buying Cheaper

One striking feature in the investigation of the trend in living costs is the disposition on the part of buyers to ignore opportunities to curtail living costs and to demand increased service and the choicest food rations. The investigation clearly indicates that the spread between maximum and minimum quotations at the present time is about 6 per cent greater than that of a year ago, whereas the maximum price on most of those commodities is approximately the same or only slightly lower. This is the price the public is paying for convenience and service.

Food specialists agree that the persistent high cost of subsistence is mainly due to the refusal of the public to buy merchandise on a net basis, without "ornamental packages" and expensive "service." Rolled oats are obtainable in bulk at 6 cents a pound but only boarding house keepers will buy them. The housewife insists on a decorated carton and a familiar name, paying a high premium for equivalent food value. Store costs and "overhead" formerly figured at 20 to 22 per cent have gone up with the rise in rents and wages and the decline in efficiency. Stocks are broken and supplies hard to replace, hence retailers try to protect themselves by "taking all the traffic will bear" regardless of the wholesale market fluctuations favoring the consumer.

How Live Stock Receipts and Prices Compare

The receipts of cattle during the month of October at the principal markets, compared with the corresponding months of the previous year, show an increase of 6 per cent, calves an increase of 19 per cent and sheep an increase of 7 per cent, while for the first ten months of 1919 receipts of cattle decreased 7 per cent compared with the corresponding period of the previous year. Calves increased 2 per cent and sheep increased 24 per cent. The average price for choice cattle for October, 1919, was $19.05 per hundredweight, against $19.58 the previous October, while common cattle brought $16.15 in October, compared with $14.48 the corresponding month of 1918. The average price for sheep and lambs in October last was $8.06 and $15.06 per hundredweight respectively, compared with $10.46 and $15.38 the corresponding month of the previous year. The average price for beef and mutton in October was $14.70 per hundredweight for beef, $10.21 per hundredweight for mutton and $23.13 for lambs, compared with $16.60 for beef, $13.49 for mutton and $21.46 for lambs in the corresponding month of 1918.

The receipts of hogs in October at the principal markets of the Middle West show a sharp falling off compared with a year ago, the total for last October being 1,357,585 head, compared with 1,694,609 in October 1918. The trend of prices in October in live hogs and their products for Chicago only shows an average of $14.80 compared with $17.76 a year ago. Cash lard ranged from $26.75 to $27.50 in October, compared with $25.00 to $27.12½ a year ago. Cash ribs ranged from $18.50 to $19.50 in October, 1919, compared with $20.25 to $23.70 a year ago.

How Prices Vary in the Same Neighborhood

There is a wide difference between the wholesale price, or the price at which the retailer buys, and the price at which the consumer purchases his rations, both in meats and groceries. Investigations show that bacon is quoted between 28 and 50 cents, according to where you buy and the brand you specify. Lamb chops bring 38 cents at one shop and another nearby offers the same specifications at 20 cents. One large packer reports $13.87 per hundred as the average price of all beef carcasses sold for the week ending November 15. The price was $20.91 for the same item April 28, to May 3, 1919. This is a decline of 33 per cent. The decline is not translated into correspondingly cheaper stews and steaks for the people. Waste added and the "percentage on" prorated over the various cuts, the prices charged over the counter for choice domestic pieces remain very high.

Beans are very much cheaper, canned and dry alike being quoted a fifth lower than during the war. The pork that goes with beans is lower by the difference between $22.50 and $25.50 a year ago, and $16 and $22 now. But this advantage is only for the few who are willing to buy provisions with discretion. New pack canned goods are in. The quality is high and prices are yielding. Only in the fruit department is the price level being maintained or advanced. High sugar and the great drought last summer virtually stopped domestic canning operations. The "preserve shelf" is empty and more housekeepers will have to buy tinned peaches, at 55 cents a can, or higher, for what they bought two years ago at 28 cents. Big city jobbers agree that canned foods are on the edge of a drop, with fruit and tomatoes excepted.

What Quoted Market Prices Reveal

Based on bona fide sales daily in the open market at Chicago, the following table represents the actual change in "high" and "low" prices for standard qualities in jobbing and dealers' original packages:

OFFICIAL PRICES TO RETAILERS—NOV. 12 1918—NOV. 12, 1919.

	1918		1919	
Patents (Flour) Bbl	$10.50	$11.35	$12.00	$13.60
Pea beans, 100 Lbs	9.50	10.00	7.50	8.00
Kidney beans	13.00	13.50	11.00	11.50
Cheese (Domestic varieties)	.33	.35	.30	.33
Cheese, Swiss No. 1	.46	.47	.47	.48
Cheese, Swiss No. 2	.37	.38	.35	.36
Dressed hogs	22.50	25.50	16.00	22.00
Eggs (ordinary first) Doz	.53	.56	.56	.58

	1918		1919	
Spring chickens	$0.22	$0.23	$0.28	....
Sweet potatoes (Bbls.)	4.50	4.75	4.25	4.50
Baldwin apples (Bbls.)	5.00	5.25	8.50	9.00
Oranges (California) Box	9.50	12.00	5.00	6.00
Cabbage (100 Lbs.)	1.00	1.25	2.00	2.25
Green and wax beans	1.00	3.50	1.00	4.00
Onions (100 Lbs.)	2.50	2.75	4.25	5.00
Butter, 90 score	.55	.58	.59	.62

On this selection of staples averaging the "price range" at each date without arbitrary "weighting" for quantities consumed, it appears that retailers have been buying at a saving of 6.6 per cent compared with a year ago. Small consumers have not enjoyed a corresponding decrease in prices at the store counter.

How Retail Prices Compare Over the District

From a questionnaire sent to the retail grocery trade of the Seventh District, comparing prices of forty-three staple food items as of September 15, October 15 and November 5, 1919, we deduce a decline of 7½ per cent for the months September 15—October 15. But for the period from October 15 to November 5, the advance was 10.8 per cent.

Actual retail prices for standard qualities and brands show an advance of 34½ per cent between the week of May 3-10, 1917 and the week ending November 14, 1919. Following is the price comparison for a selected list of common necessaries of the larder:

ACTUAL RETAIL PRICES

	1917 May 3-9		1919 November 14	
Crystal Domino Sugar, lb	$0.084	....	$0.13	$0.17
Seeded Raisins	.14	....	.22	.28
Canned peas	.14	....	.14	.30
Ceylon Tea	.49	....	.60	.70
Flour (Minneapolis brands) ¼ Bbl	3.69	....	3.40	3.70
Coffee (C and S) 3 lb. tin	.95	1.10	1.48	1.50
Butter (90's)	.43	....	.76	....
Cocoa, pkg	.25	....	.30	....
Peanut paste	.23	....	.25	....
Standard Oleo, 5 lb. drum	1.39	....	2.05	....
Potatoes, per lb	.059	....	.04	....
Oranges, doz	.29	....	.60	....
Onions, lb	.05	....	.075	....
Ham, per lb	.25	....	.35	....
Standard brand soaps, per bar	.04	.05	.075	.08
Pot roast, lb	.18	....	.15	.28
Rib roast, lb	.21	....	.15	.28

	1917 May 3-9		1919 November 14	
Pork loins	$0.24	....	$0.26	$0.32
Leg lamb	.24	....	.38	....
Corned beef	.20	....	.25	....
Chucks	.22	....	.30	....
Red and Lima beans, can	.125	....	.15	.20
Prunes	.10	.12	.25	.35
Apricots (evap.)	.25	....	.45	....
Corn flakes	.10	....	.14	....
Rice	.09	....	.18	....
Peaches (can)	.28	....	.55	....
Dried peas	.08	....	.12	....
Bitter chocolate	.32	....	.50	....
Salmon	.28	....	.38	....
Evaporated milk	.13	....	.15	.17
Baked beans (can)	.15	....	.15	....
Fresh trout	.18	....	.25	....
Cheese	.29	....	.60	....

Potatoes Prove to be a Troublesome Factor

One of the most troublesome items in the pantry list of the average housewife is potatoes. Retail prices range from 3 to 4 cents a pound against 2½ to 2 cents a pound at wholesale. The official price range to retailers, Chicago Produce Exchange record, follows:

POTATO RANGE PER 100 LBS.

	January 1		November 15	
1919	$1.75	$1.85	$2.25	$2.45
1918	1.85	2.15	1.60	1.85
1917	$1.60	$1.95	$1.70	$2.40
1916	.80	1.00	1.40	1.85

The advance this year to date is 30 per cent. Cabbage prices, also, are very obstinate, causing much discomfort to those of humble incomes. Apples, the one fruit necessity, become an unobtainable luxury to the ordinary wage earner at $10 a barrel wholesale for Jonathans and $8.50 to $9.00 for the plebeian Baldwins.

How Bank Investments and Loans Compare

There has been a general decrease in the holdings of government securities owned by representative banks in the district. The 44 selected member banks in Chicago show a decrease of $63,451,000 between August 22 and November 7, while the 12 selected Detroit banks show a decrease of $4,377,000, and the 44 selected banks in other clearing house cities show a slight decrease. Total loans secured by government securities decreased $4,189,000 in the 44 selected Chicago banks, $953,000 in the 12 selected Detroit banks, and $429,000 in the 44 selected banks in other large cities. Loans secured by stocks and bonds other than government securities increased $22,708,000 in the 44 Chicago selected banks between August 22 and November 7, while this item increased $15,126,000 in the 12 selected Detroit banks. There was a decrease of $5,807,000 in the selected banks in other clearing house cities.

Bank exchanges at the Chicago Clearing House for the first eighteen days of November aggregate $1,614,649,000, an increase of $378,317,000 compared with a year ago, while exchanges at twenty-two of the leading clearing houses of the Seventh Federal Reserve District aggregated $485,554,600, an increase of $147,817,000 compared with a year ago

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT

(000's omitted)

	Chicago —44 Member Banks—			Detroit —12 Member Banks—			Other —44 Member Banks—		
	Jan. 3	Oct. 10	Nov. 7	Jan. 3	Oct. 10	Nov. 7	Jan. 3	Oct. 10	Nov. 7
Loans—									
Secured by U. S. war obligations	$61,160	$75,786	$66,542	$ 8,720	$10,529	$11,372	$13,420	$14,668	$14,258
Loans secured by stocks and bonds other than U. S. securities	....	248,423	278,031	....	41,407	42,105	....	38,334	37,111
All other loans and investments	846,008	698,206	714,002	*244,085	273,522	276,058	280,939	295,492	300,061
Reserve Balance with Federal Reserve Banks	108,825	119,616	122,921	21,886	27,919	27,607	25,241	27,893	27,150
Cash in Vault	44,555	39,619	39,270	13,821	14,723	15,879	15,811	13,927	14,642
Deposits—									
Net demand	794,398	862,499	904,086	162,048	211,892	211,330	209,707	231,043	231,453
Time	149,859	172,051	176,238	155,896	183,525	187,616	89,211	106,490	104,857
Government	13,962	29,353	18,042	13,964	6,141	3,140	6,189	7,519	4,809
Bills Payable and Rediscounts—									
Collateral Notes	37,735	37,852	40,252	12,154	17,590	30,825	18,380	21,419	29,103
Bills Rediscounted	10,186	23,769	22,974	412	4,016	2,252	16,191	9,754	11,562

*Includes Loans secured by stocks and bonds other than U. S. securities.

CROP ESTIMATES FOR FEDERAL RESERVE DISTRICT NO. 7 (CHICAGO)

Government estimates on the principal crops in the States of Illinois, Indiana, Iowa, Michigan and Wisconsin, excluding those counties which are not in the Seventh Federal Reserve District, compare as follows:

Crop	Acreage 1919	Forecast of Production Based on Condition November 1, 1919	Acreage 1918	Production 1918
	Acres	Bushels	Acres	Bushels
Corn	24,178,000	921,410,000	35,345,000	695,130,000

NOTE—No new estimates were made in November for wheat, oats, rye and barley.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO

(000's omitted)

	Receipts				Shipments			
	September		October		September		October	
	1919	1918	1919	1918	1919	1918	1919	1918
Flour, barrels	1,074	919	1,190	995	652	597	790	553
Wheat, bushels	20,218	4,872	9,191	6,279	15,440	10,228	5,507	3,484
Corn, bushels	7,554	9,530	4,802	11,550	2,603	2,857	3,076	5,084
Oats, bushels	8,940	11,417	9,385	10,942	6,506	8,730	7,863	6,914
Cured Meats, pounds	11,413	22,439	10,160	16,895	100,097	66,371	104,012	94,557
Fresh Meats, pounds	67,095	101,389	77,829	128,424	175,611	113,058	153,490	171,870
Lard, pounds	6,230	7,260	7,232	8,320	55,980	22,137	55,686	50,636
Cheese, pounds	20,523	17,156	22,384	18,399	41,025	5,368	24,333	6,361
Butter, pounds	22,731	21,134	24,497	21,916	40,540	16,981	25,126	20,486
Eggs, cases	320	337	236	240	219	284	379	369
Potatoes, bushels	1,611	1,877	2,889	3,600	680	446	1,432	1,854
Hides, pounds	14,309	11,115	16,863	10,874	33,839	8,906	27,939	16,502
Lumber, thousand feet	205	171	208	130	93	68	95	70

Receipts of live stock at the Chicago market during the four weeks ended November 15, compared with the corresponding period of 1918, are as follows:

	Cattle	Calves	Hogs	Sheep
1919	389,086	61,952	656,115	647,251
1918	363,258	38,285	750,563	518,089
Increase *Decrease	25,828	23,285	*94,448	129,162

COMPARATIVE STATISTICS OF BUILDING AND ENGINEERING OPERATIONS

Contracts awarded in States north of the Ohio and east of the Missouri Rivers, from January 1, to November 1, 1919.

1919	$2,111,452,000	1916	$1,121,616,397	1913	$743,758,000
1918	1,501,596,000	1915	769,173,100	1912	743,331,500
1917	1,433,092,000	1914	632,462,200	1911	667,433,813
				1910	694,007,066

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also Northern Missouri and Eastern Kansas.

1919	$749,120,000	1916	$381,021,897	1913	$158,373,000
1918	389,965,000	1915	249,414,600	1912	152,748,000
1917	548,787,000	1914	182,120,700	1911	117,557,313
				1910	170,497,066

NOTE—Building and Construction statistics compiled by the F. W. Dodge Co.

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

	October, 1919		October, 1918			
Illinois	No. of Buildings	Estimated Cost	No. of Buildings	Estimated Cost	Per Cent Gain	Per Cent Loss
Aurora	17	$ 31,625	19	$ 19.016	66	....
Chicago	758	16,948,050	119	1,312,200	1191	....
Danville	7	25,400	1	3,400	647	....
Decatur	86	318,650	17	58,875	441	....
Peoria	69	498,220	31	38,970	1181	....
Springfield	68	673,050	20	6,240	10686	....
Indiana						
Fort Wayne	76	330,042	34	37,150	788	....
Indianapolis	711	1,576,890	395	191,902	721	....
Richmond	25	84,700	18	60,000	41	....
South Bend	295	507,281	80	23,126	2093	....
Terre Haute	68	149,615	59	26,840	457	....
Iowa						
Cedar Rapids	84	174,000	14	18,000	866	....
Davenport	95	751,915	19	16,950	4336	....
Des Moines	126	559,960	38	127,600	339	....
Dubuque	19	45,009	......	....	....	....
Sioux City	173	409,250	8	25,900	1480	....
Michigan						
Bay City	61	338,450	13	21,065	1506	....
Detroit	2,561	9,448,585	509	1,431,080	560	....
Grand Rapids	179	425,082	69	28,374	1398	....
Jackson	104	194,630	32	18,398	959	....
Lansing	217	396,535	19	7,635	5095	....
Saginaw	217	1,181,214	77	38,768	2947	....
Wisconsin						
Madison	49	228,440	4	4,500	4976	....
Milwaukee	479	3,470,083	106	268,468	1192	....