

FEDERAL RESERVE BANK OF ST. LOUIS

MONTHLY REPORT ON GENERAL BUSINESS AND AGRICULTURAL CONDITIONS IN FEDERAL RESERVE DISTRICT No. 8

RELEASED FOR PUBLICATION ON AND AFTER THE MORNING OF SEPTEMBER 25, 1919

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Despite unsettled conditions, business activity in this district has continued during the past month and in many lines has even increased, particularly in those supplying articles needed in building operations. However, the agitation against the high cost of living, coupled with the unsettled attitude of labor, has tended to steady the market. A tendency to await developments before making larger commitments for the future has been in evidence, and the expansive impetus of the early summer months has been checked in a measure by a growing conservatism.

While there are portentous factors in the labor situation, the insistence by the workers that their demands for shorter hours and higher wages be met seems to be giving way to a realization that their interests are bound up with the interests of the community as a whole, and that increased efficiency resulting in greater productivity is the only way out of the circle of rising costs.

Wholesale prices of food commodities declined sharply during the first week of September, due largely to the Government's public sale of foodstuffs, but as yet there have been little or no commensurate reductions in the prices of the retailer to the consumer.

The general prosperity of the agricultural sections of the District and the high prices paid for cotton in the South have kept indebtedness at a low level and have made collections exceptionally good in this District.

MANUFACTURING.—The shortage of coal is hampering manufacturing in some lines, while others are handicapped by the scarcity of raw materials and the lack of skilled labor. These difficulties, however, indicate a large demand for manufactured products, and are partly due to the exceptionally rapid increase of business within the past few months. There is a general expectation of a large fall and winter trade.

Clothing manufacturers report increases in their business during August as high as 50% over the corresponding month last year. One concern states that it made no sales during the past month because its season's business was sold up. There are complaints of difficulty in obtaining silks and woolsens.

A company manufacturing chemicals says its business decreased 15% during August from the same month last year and expects further declines from now until the end of the year.

The activity in the petroleum industry has created a large demand for oil well ropes and a large wire rope manufacturer says his business has increased 22% over August last year and that his factory is working nearly to capacity. He says: "We cannot get cars promptly * * * many shipments take about twice as long to deliver as they should."

The demand for threshing machinery was beyond normal, due to the good crop conditions throughout the District.

A large biscuit manufacturing concern says its August business increased 20% over July. It reports heavy buying in the South. Basic prices, it says, decreased about 10%.

A 52½% increase over the same month last year and a 27% increase over July is reported by a manufacturer of clay products. He says that his orders on hand for future delivery are 120% larger than at this time last year.

Commenting on an increase of 73% in business over August last year, a large millinery manufacturer says: "However, the outlook is precarious, for when top-notch prices are reached the reaction is likely to sweep away the profits already made or in the making."

The lumber business is firm, and many saw mills are working day and night.

WHOLESALE AND JOBBING.—It is noteworthy that dealers report good roads and automobiles, along with high wages and general prosperity, as favorable factors in stimulating trade.

A prominent wholesale dry goods man says he can supply the demand for cotton goods but cannot meet one-twelfth the demand for silks, showing that the better classes of goods are still being called for. Increases over August last year ranging from 17% to 30% and from 6% to 30% over July are reported by dry goods houses throughout the District.

Decreases from August last year ranging from 18½% to 40% are reported by some wholesale grocers. Other concerns, however, report increases for the same period ranging up to 30%. The volume of business apparently has fallen off from July, one concern reporting a decrease of 35%. Prospective buyers showed a tendency to wait for lower prices.

Another large fur auction has just been held in St. Louis, now the largest primary fur market in the world. Representatives of buyers in many countries bought pelts at an aggregate cost of \$15,334,458, making this what is believed to be the largest sale in the history of the fur trade.

A wholesale shoe dealer reports an increase of 25% over August last year and 50% over July. He complains of the difficulty in obtaining goods and of slow railroad deliveries.

“Steady, with some improvement” is the way a wholesale drug company characterizes the present situation. It anticipates a good fall business.

RETAIL.—Retail merchants have built up their stocks of goods to a better point than at this time last month. Some concerns have placed larger orders under the belief that the factories will only be able to fill part of their demands.

While the retail trade continues to show material gains over last year, it has steadied from its previous rapid growth and is on a par with or shows only slight increases over July.

Dealers anticipate a good fall and winter trade, but in some sections say the prevailing warm weather has delayed the urgency of the demand for seasonable merchandise.

AGRICULTURE.—Cotton is opening rapidly and picking has begun. The dry weather during the past week has helped the crop in some sections of the District, but it is late and the amount of 1919 cotton ginned to September 1st is only about one-eighth of the amount for the same period last year. According to the Government report the only States in which cotton shows an improvement in August over July are: Arkansas, 2%, Missouri 8% and Tennessee 2%, most of which region lies within this District. The Government estimate as of August 25th places the average yield per acre at 159.8 pounds and the total production of the United States at 11,230,000 bales.

Plowing for winter wheat is well under way, but in some sections it has been delayed on account of dry weather.

The following table, compiled by the U. S. Bureau of Crop Estimates shows the acreage of the principal crops in this District, and the estimated production, based on condition September 1st, 1919, as compared to the acreage and production last year. These figures refer to the entire State of Arkansas and to the parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee that are in the Eighth Federal Reserve District:

| CROP. | Acreage, 1919. | Forecast of Production, Based on Condition September 1, 1919. | Acreage, 1918. | Production, 1918. |
|----------------|-------------------|--|-------------------|----------------------|
| | <i>Acres.</i> | <i>Bushels.</i> | <i>Acres.</i> | <i>Bushels.</i> |
| Corn..... | 15,366,000 | 377,951,000 | 16,726,000 | 372,977,000 |
| Oats..... | 2,438,000 | 67,019,000 | 2,597,000 | 77,486,000 |
| | | <i>Tons.</i> | | <i>Tons.</i> |
| Hay (all)..... | 5,626,000 | 7,398,000 | 5,762,000 | 6,500,000 |

While the estimated yield of oats and hay have been slightly reduced since the July forecast, the estimated yield of corn has been increased about 8,000,000 bushels.

According to government reports, the level of prices paid producers in the United States for the principal crops decreased about 3.4% during August, while in the past ten years the price level decreased only 1.2% during August. On September 1st the index figure of prices was 8.3% higher than a year ago.

LIVE STOCK.—The report of the St. Louis National Stock Yards for August, 1919, shows increases in all receipts and shipments, except in the receipts of hogs, as compared with the corresponding month last year. The comparative figures are as follows:

| | Cattle. | | Hogs. | | Sheep. | | Horses and Mules. | |
|----------------|---------|---------|---------|---------|---------|--------|-------------------|--------|
| | 1919 | 1918 | 1919 | 1918 | 1919 | 1918 | 1919 | 1918 |
| August..... | | | | | | | | |
| Receipts..... | 138,824 | 135,550 | 166,807 | 193,006 | 100,032 | 70,603 | 22,487 | 17,517 |
| Shipments..... | 62,726 | 42,550 | 118,375 | 65,122 | 24,139 | 14,190 | 21,968 | 16,056 |

Lower prices will account in large measure for the decrease in the receipts of hogs.

The poor cotton crop during the past years, as well as the increase in the price of live stock, has taught the Southern farmers the value of diversifying their products. The raising of live stock is, therefore, rapidly coming to the front as a factor in Southern farming. A new stock yards was opened recently at Memphis.

LABOR.—Unemployment is now a negligible factor in this District. However, there is some labor unrest, as is evidenced by small strikes and threats to strike. The South, which suffered most from the shortage of farm labor, is now better supplied with help, due largely to the fact that numbers of negroes who stopped off in the large cities after demobilization have now gone back to the farms. It is not believed that the laborers returning from the harvest fields and from the sugar beet fields will create any problem, since the demand for labor would seem to indicate their rapid absorption into other lines. In many lines there is a marked shortage of skilled labor.

Many business men and labor leaders look forward hopefully to the coming capital-labor conference in October, for a clarifying of the present unsettled conditions.

BUILDING.—During August, as during the past few months, building activity continued far in excess of the same period last year. Comparative figures for August are as follows:

| | 1919 | | August | 1918 | |
|------------------|---------|-------------|--------|------------|------|
| | Permits | Cost | | Permits | Cost |
| St. Louis..... | 819 | \$3,352,928 | 421 | \$ 671,900 | |
| Louisville..... | 187 | 427,530 | 86 | 137,640 | |
| Memphis..... | 158 | 1,287,125 | 55 | 107,440 | |
| Little Rock..... | 96 | 520,056 | 61 | 64,145 | |

Real estate transactions indicate a disposition on the part of landlords to sell wherever possible rather than to rent. There is still a dearth of residences, but the number of buildings now in process of construction should relieve this condition considerably by next spring.

BANKING.—There is a strong demand for money in this District at the present time, which bankers attribute largely to the increased money value of transactions resulting from high prices, and also to the financial requirements of crop movements and of the picking and ginning of cotton.

There were no marked changes in rates during the past month though there was a slightly upward tendency. The high, low and customary discount and interest rates prevailing in St. Louis, Louisville, Memphis and Little Rock, from August 16th to September 15th, as reported by banks located in those cities, were as follows:

| | St. Louis | | | Louisville | | | Memphis | | | Little Rock | | |
|---|-----------|----|----|------------|-------|-------|---------|-------|-------|-------------|-------|-------|
| | H | L | C | H | L | C | H | L | C | H | L | C |
| Customers' prime commercial paper: | | | | | | | | | | | | |
| 30 to 90 days..... | 6 | 5¼ | 5½ | 6 | 5½ | 6 | 6 | 5½ | 6 | 7 | 6 | 6 |
| 4 to 6 months..... | 6 | 5½ | 5½ | 6 | 5½ | 6 | 6 | 5½ | 6 | 7 | 6 | 6½ |
| Prime commercial paper purchased in open market: | | | | | | | | | | | | |
| 30 to 90 days..... | 5½ | 5¼ | 5½ | 5½ | 5¼ | 5½ | 5½ | 5½ | 5½ | 6 | 5¼ | 5½ |
| 4 to 6 months..... | 5½ | 5¼ | 5½ | 5½ | 5¼ | 5½ | ..... | ..... | ..... | 6 | 5¼ | 5½ |
| Loans to other banks..... | 6 | 5¼ | 5½ | 5 | 5 | 5 | 6 | 5 | 5½ | 6 | 6 | 6 |
| Bankers' acceptances of 60 to 90 days: | | | | | | | | | | | | |
| Endorsed..... | 5 | 4¼ | 4¼ | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Unendorsed..... | 5 | 4⅞ | 4⅞ | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Loans secured by prime stock exchange collateral or other current collateral: | | | | | | | | | | | | |
| Demand..... | 6 | 5½ | 5½ | 6 | 5 | 6 | 6 | 6 | 6 | 7 | 6 | 6 |
| 3 months..... | 6 | 5½ | 5½ | 6 | 5 | 6 | 6 | 6 | 6 | 7 | 6 | 6½ |
| 3 to 6 months..... | 6 | 5½ | 6 | 6 | 5 | 6 | ..... | ..... | ..... | 7½ | 6 | 6½ |
| Cattle Loans..... | 6 | 5½ | 6 | 6 | 5 | 6 | ..... | ..... | ..... | 8 | 6 | 7 |
| Commodity paper secured by warehouse receipts, etc..... | 6 | 5½ | 6 | 6 | 5 | 6 | 6 | 6 | 6 | 7 | 6 | 7 |
| Loans secured by Liberty Bonds and Certificates..... | 6 | 4¾ | 5½ | 6 | 5 | 5½ | 6 | 4¾ | 5 | 7 | 5½ | 6 |

Commercial paper dealers report a strong demand for paper, with rates firm at 5¼ to 5½ for the best grades of paper.

In August, the Federal Reserve Bank of St. Louis discounted a total of \$152,420,282.83 of paper for 185 different member banks, which is an increase of \$5,593,125.83 over the amount of paper discounted during July, and a decrease of 5 in the number of banks accommodated. There was no change in the discount rates of the Federal Reserve Bank during the past month. The rates in effect on September 18, 1919, were as follows:

| MEMBER BANKS' COLLATERAL NOTES: | 15 days and less | 16 to 60 days | 61 to 90 days | 91 days to 6 months |
|--|------------------|---------------|---------------|---------------------|
| Secured by Liberty Bonds or Treasury Certificates..... | 4% | ..... | ..... | ..... |
| Secured by War Finance Corporation Bonds..... | 5% | ..... | ..... | ..... |
| Secured by Bills Receivable..... | 4% | ..... | ..... | ..... |
| REDISCOUNTS: | | | | |
| Secured by Liberty Bonds or Treasury Certificates..... | 4% | 4¼¢ | 4¼¢ | ..... |
| Secured by War Finance Corporation Bonds..... | 5% | 5¾¢ | 5¾¢ | ..... |
| Commercial Paper..... | 4% | 4¾¢ | 4¾¢ | ..... |
| Agricultural or Livestock Paper..... | 4% | 4¾¢ | 4¾¢ | 5½¢ |
| Trade Acceptances..... | 4% | 4½¢ | 4½¢ | ..... |
| Bankers' Acceptances purchased at the market rate, subject to agreement. | | | | |

The condition of the banks in this District at the present time, and the changes during the past month, are reflected in the following comparative statement, showing the principal resources and liabilities of member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville:

| | Sept. 5, 1919 | Aug. 8, 1919 |
|---|--------------------|--------------------|
| Number of Banks reporting..... | 35 | 35 |
| United States Bonds to secure circulation..... | \$ 17,154,000 | \$ 17,155,000 |
| Other United States Bonds, including Liberty Bonds..... | 15,713,000 | 17,184,000 |
| United States Victory Notes..... | 10,324,000 | 12,143,000 |
| United States Certificates of Indebtedness..... | 40,856,000 | 35,199,000 |
| Total United States securities owned..... | 84,047,000 | 81,681,000 |
| Loans secured by United States Bonds and Certificates..... | 27,753,000 | 26,366,000 |
| Loans secured by stocks and bonds, other than U. S. securities..... | 135,568,000 | *410,288,000 |
| All other loans and investments..... | 276,520,000 | |
| Total loans and investments..... | 523,888,000 | 518,335,000 |
| Reserve with the Federal Reserve Bank..... | 43,005,000 | 42,118,000 |
| Cash in vault..... | 10,195,000 | 9,656,000 |
| Net Demand deposits on which reserve is computed..... | 326,599,000 | 320,753,000 |
| Time deposits..... | 100,895,000 | 99,780,000 |
| Government deposits..... | 23,310,000 | 23,771,000 |

*Includes loans secured by stocks and bonds, other than U. S. securities, which are now reported separately.

The volume of banking business transacted in this District during the past month is indicated by the following comparative table, compiled from information received from the Clearing Houses in the cities shown:

| Debits to Individual Accounts, week ending: | Aug. 13 | Aug. 20 | Aug. 27 | Sept. 3 |
|---|---------------|---------------|---------------|---------------|
| St. Louis..... | \$150,219,000 | \$156,707,000 | \$124,052,000 | \$114,866,000 |
| Louisville..... | 32,497,000 | 35,702,000 | 29,464,000 | 25,968,000 |
| Memphis..... | 23,900,000 | 25,463,000 | 21,484,000 | 23,746,000 |
| Little Rock..... | 7,786,000 | 6,580,000 | 6,182,000 | 10,019,000 |
| Evansville..... | 5,080,000 | 3,889,000 | 4,383,000 | 4,256,000 |

The resources and liabilities of the Federal Reserve Bank of St. Louis on September 12, 1919, as compared to a month ago, and a year ago, are shown in the following statement:

| RESOURCES: | Aug. 8, 1919 | Sept. 12, 1919 | Sept. 13, 1918 |
|---|----------------------|----------------------|----------------------|
| Gold coin and certificates..... | \$ 2,760,000 | \$ 2,524,000 | \$ 1,411,000 |
| Gold settlement fund—F. R. Board..... | 24,175,000 | 11,979,000 | 21,694,000 |
| Total gold held by Bank..... | 26,935,000 | 14,503,000 | 23,105,000 |
| Gold with foreign agencies..... | | | 233,000 |
| Gold with Federal Reserve Agent..... | 51,360,000 | 54,721,000 | 56,668,000 |
| Gold Redemption Fund..... | 6,474,000 | 5,743,000 | 2,588,000 |
| Total gold reserve..... | 84,769,000 | 74,967,000 | 82,594,000 |
| Legal tender notes, silver, etc..... | 4,536,000 | 5,272,000 | 471,000 |
| Total reserves..... | 89,305,000 | 80,239,000 | 83,065,000 |
| Bills discounted—Secured by Government war obligations..... | 59,490,000 | 60,400,000 | 31,704,000 |
| Bills discounted—All other..... | 10,271,000 | 14,230,000 | 32,115,000 |
| Bills bought in open market..... | 9,612,000 | 14,918,000 | 1,600,000 |
| Total bills on hand..... | 79,373,000 | 89,548,000 | 65,419,000 |
| U. S. Government Bonds..... | 1,153,000 | 1,153,000 | 1,153,000 |
| U. S. Certificates of Indebtedness..... | 17,068,000 | 17,068,000 | 321,000 |
| Total earning assets..... | 97,594,000 | 107,769,000 | 66,893,000 |
| Bank premises..... | 691,000 | 691,000 | |
| Uncollected items and other deductions from gross deposits..... | 51,784,000 | 57,559,000 | 38,337,000 |
| 5% redemption fund against F. R. Bank notes..... | 658,000 | 660,000 | |
| All other resources..... | 510,000 | 563,000 | 1,318,000 |
| TOTAL RESOURCES..... | \$240,542,000 | \$247,481,000 | \$189,613,000 |
| LIABILITIES: | | | |
| Capital paid in..... | \$ 3,945,000 | \$ 4,005,000 | \$ 3,731,000 |
| Surplus..... | 2,589,000 | 2,589,000 | |
| Government deposits..... | 5,124,000 | 2,542,000 | 9,696,000 |
| Due to members—Reserve Account..... | 62,752,000 | 62,441,000 | 53,537,000 |
| Deferred availability items..... | 38,988,000 | 46,089,000 | 26,989,000 |
| Other credits..... | 4,143,000 | 4,512,000 | 651,000 |
| Total gross deposits..... | 111,007,000 | 115,584,000 | 90,873,000 |
| F. R. Notes in actual circulation..... | 106,004,000 | 108,039,000 | 92,866,000 |
| F. R. Bank notes in circulation—net liability..... | 16,298,000 | 16,278,000 | 192,000 |
| All other liabilities..... | 699,000 | 986,000 | 1,951,000 |
| TOTAL LIABILITIES..... | \$240,542,000 | \$247,481,000 | \$189,613,000 |