

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 MAY 26, 1920

WILLIAM MCC. MARTIN,

CHAIRMAN OF THE BOARD AND FEDERAL RESERVE AGENT

Transportation difficulties and an extremely tense credit situation figured conspicuously in general business results during the past month. To these factors may be added an unusually backward spring and unfavorable weather for agricultural development. In face of these handicaps, however, the volume of business in this district has been enormous, totals in both manufacturing and distributing lines showing further broad gains over the corresponding period last year. To maintain this showing greater effort has been necessary, and there are numerous signs and evidences that the peak of the upward movement has been reached or is close at hand. In many instances decreases in volume were recorded under the preceding month. The same is true in the matter of prices for commodities, some reductions being reported. However, prices on many articles, including necessities, have undergone further advances. In the food category there have been few declines, and such important staples as sugar, flour and cereals have advanced. On May 7 No. 2 red winter wheat in St. Louis touched \$3.12, against \$2.88 on April 17. The flour market advanced to \$15.60 for soft patents on May 11, a rise of more than \$1 a barrel in less than a month's time. May corn touched \$2.03½ on May 15, and May oats made a new high record of \$1.15 on May 12. Sugar advanced to 20½c for bulk granulated on May 17. Hardware and other goods manufactured from iron and steel are scarce and higher. Retail selling prices of shoes, clothing and certain dry goods and miscellaneous articles have been reduced in some cases. Retailers are advertising more "sales" and otherwise seeking to speed up a lagging business. Slowing down in purchasing by the public is attributed to reaction against high prices, a dawning disposition to economize after months of unrestrained spending, and to the first signs of unemployment in the big industrial centers. This unemployment is due directly to the switchmen's strike, which has necessitated curtailed or suspended operations at manufacturing plants because of inability to secure raw materials and fuel.

Manufacturers' books are crowded with orders, and the demand for goods continues on a large scale. Resumption by the railroads of adequate transportation service should quickly restore manufacturing and building to the point of activity attained before the con-gestion set in.

Collections are in the main good, the backward spots being confined to sections where adverse weather or delay in marketing cotton and tobacco has caused delayed settlements.

Observers of economic and business developments discern in present symptoms the first real steps toward readjustment and deflation. Measures taken by the Federal Reserve Banks and other financial institutions are expected to bring about a readjustment without serious disturbance to business.

Automobile registration in states of the Eighth Federal Reserve District up to May 1 this year indicates heavy gains over the three preceding years.

MANUFACTURING

Effects of the switchmen's strike have fallen heavily upon manufacturers. In numerous instances supplies of raw materials have been cut off or greatly curtailed, and quite as serious as this phase has been the inability to ship out finished products. Lessened or suspended operations have released operatives, and by certain authorities it is estimated about 5 to 10 per cent fewer persons are employed in strictly manufacturing industries than when the strike began, April 8, and the normal output of the plants has diminished in approximately the same proportion. As contrasted with a year ago the month's totals in many lines develop big gains. Compared with the preceding month this year the showing is not so favorable.

Boots and Shoes—Business continues active, with orders on hand about on a parity with the preceding month. Heavy gains over total sales for the corresponding period last year are shown by most of the important companies. There has been a slight shading in prices on some goods, but, as a rule, a steady average is maintained. Consensus of opinion is that no further advances will be made. Makers of raw materials going into footwear have caught up to a large extent, so that the industry is on a more stable basis.

Woodenware—The demand for all classes of goods is strong, and in excess of supplies. Labor troubles have had a tendency to cut down outputs, as has scarcity of raw materials. Recent impressive gains over a year ago were maintained during the past month. Prices show little variation, and, barring influences of a detrimental character working in general business, the outlook for the balance of this year is excellent.

Candy—Prices hold about steady at the recent advances, but there is an easier tendency noted. Business has been restricted to some extent by the condition of the sugar market and the railroad strike. Manufactured goods are accumulating at points of production, but most of this accumulation will be taken care of by shipments on booked orders when transportation reopens. A canvass of leading manufacturers indicates that business during the past month fell about 10% under last year, and held about steady with the preceding month this year.

Drugs and Chemicals—Due to continued urgent demand and light supplies, the tendency of prices is still upward, there being several specific increases and no decreases during the past month. The volume of business done ranged from steady to 3% under a year ago, and, as contrasted with the preceding month this year, losses were from 5% to 20%, but March was an unusually heavy month in this line.

Clothing—Many manufacturers of clothing report a decided slump from the recent activity. While sales during the past month show increases of 40 to 70 per cent over a year ago, there were many decreases both in volume and value under the preceding month this year. The outlook is described as unsettled, with buying much more cautiously conducted. The demand is somewhat under normal for this season.

Electrical Supplies—Figures of reporting companies indicate gains in sales as high as 100% over the same period a year ago, but decreases of 10% under the preceding month this year. The declining business is ascribed chiefly to freight embargoes and shortage of material. Goods on hand are smaller than last month, but well over last year. There were a few complaints of collections.

Iron and Steel Products—Manufacturers in this category have suffered probably more than any others from the railroad strike. The shortage of raw materials, chiefly coke, has completely disarranged programs, and necessitated sharp curtailment of activities. There is an overwhelming demand for all kinds of goods, which will take months of capacity production to supply. Prices are very strong, with no indications of declines. The leading pig iron manufacturer in the district has had his furnaces ready to blow in for some time, after an idleness of several months for repairs and enlargements, but has been obliged to postpone lighting fires because of uncertainty relative to raw materials.

Flour—The volume of sales during the past month is reported unchanged to 75% less than the corresponding time last year, and steady to 50% lower as compared with the preceding month this year. The selling price of flour has advanced further, due to the rise in wheat quotations. The tendency is toward higher prices and unsettled conditions, with the main influences being dubious crop prospects and relinquishment of control of the wheat market by the Government.

Lumber—There has been a decline in Southern pine prices, with yards well stocked, and a slowing down in buying caused by interruption of building operations by the railroad strike and its ramifications. For the first time in many months some of the mills are seeking business. There are some good inquiries out, however, and an improvement is looked for in June. Hardwoods are quiet, with little new buying, but prices are strong and tending upward, due to rains having interfered with cutting. Embargoes have caused short stocks at great concentrating centers.

Fur Auction—Pelts aggregating in value approximately \$25,000,000 were disposed of in brisk bidding at the spring auction of the International Fur Exchange in St. Louis. Buying was by manufacturers, and indicated an expected business for next fall and winter of large proportions. Prices averaged 20 to 25 per cent under those realized at the February sale, the decline being ascribed almost wholly to the tight money market. Attendance at the auction was large, and probably the most representative thus far assembled at these sales.

Miscellaneous—In other miscellaneous lines, such as farm implements, paper bags, rope, furniture, and cooperage, production has been hampered by the strike, and distribution is backward. There are wide variations in prices, but purchasing is being done with considerable more circumspection, and the peak in most cases seems to have been reached.

WHOLESALE AND JOBBING

Pretty generally through the wholesale and jobbing strata of distribution a note of conservatism is being sounded. In certain lines purchasing has slowed down, or is being pursued on a more discriminating basis. The unusually late season has given rise to apprehension among country merchants relative to the outcome of crops. Ready-to-wear clothing, hats, and some specialties handled by wholesale dry goods houses, display recessionary tendencies. As a general proposition, the wholesale dry goods trade is described as steady, but with a tendency to slow down, due to the credit situation and uncertainty of the agricultural outlook. Pretty much the same status obtains in boots and shoes, with many houses stating that retailers are not so disposed to stock heavily. Among wholesale grocers and hardware people there are no indications of letting down in the demand. These lines are lively as ever, with goods scarce, prices strong to higher, and the demand unabated. Drugs and chemicals, also, continue in urgent demand, with no downward scaling in the recent extravagant prices. Collections up to now have been in the main fair to good. There are some backward spots and less general alacrity to settle than heretofore, but specific complaints are not numerous.

RETAIL

While there has been no great decline in the volume of business, greater effort and some concessions in the matter of prices have been required on the part of merchants to maintain the pace. Quite clearly the public is curbing its bidding for goods, and reports from many quarters indicate that there is less disposition to pay any price asked. The late spring and unseasonably cold and wet weather have worked adversely in many lines, notably wearing apparel. In the rural communities uncertainty as to the crop outlook has inspired conservatism, and everywhere effects of antagonism against high prices are felt more or less. A canvass of retailers in various lines elicits the information that conditions are less uniformly optimistic than earlier in the year. It is believed that in a majority of cases the zenith of the upward movement in prices has been reached. How-

ever, this statement must bear qualification. Certain articles continue very scarce and in great demand, and on these, prices hold very strong, with further advances recorded and in prospect. The larger department stores in the district report continued activity, and a volume of business well in excess of a year ago, and steady to about 15% greater than the preceding month this year.

AGRICULTURE

The season to date in this district has been one of the most unusual on record. The progress of crops and agricultural operations has been delayed in an abnormal degree, and things are from four to six weeks late. Too abundant precipitation and lack of sunshine have prevented soil preparation, seeding and development of that which has been planted. Of the specific reports on winter wheat from scattered sections of the district, 56.5% are fair; 43.5%, poor, and none good. Nearly all accounts relating to corn are discouraging, and cotton is backward and not flourishing. Oats are generally in fair shape, and hay and pastures are doing well. Tobacco is generally in fair condition, but last season's experience in marketing this product was discouraging to planters, and the acreage this year may show some reduction. Late advices indicate that the frost in early April did less damage to apples and other fruits than at first believed. Total destruction was confined to a relatively small area, and from a half to two-thirds of a crop is indicated elsewhere. Vegetables and small fruits have suffered from deluges of rain, and marketing of Southern produce is hampered by shortage of cars and the switchmen's strike. In all sections labor is scarce, costly and inefficient, which fact will have serious bearing on acreages. Farmers are turning to crops which can be handled with a minimum of laborers, and labor-saving machinery is being employed wherever possible to offset the shortage of hands. From some sections of the district, especially those most affected by the switchmen's strike, there are complaints of scarcity and high cost of seeds.

The U. S. Department of Agriculture, in its report as of May 1, gives the condition of winter wheat in the seven states of this district as follows:

Acreage Per cent abandoned	Acres remaining to be harvested	WINTER WHEAT						Price May 1 1920—1919 Cents	
		Condition 1920		Forecast 1920, from May 1 condition		Final Estimate 1919 Bu.			
		May 1 1919 %	10 yr. av. %	Bu.	1919 Bu.				
Arkansas	6.0	147,000	83	98	91	1,586,000	3,230,000	228 212	
Illinois	18.0	1,971,000	69	100	82	27,880,000	57,800,000	250 233	
Indiana	13.0	1,705,000	65	100	84	21,611,000	45,792,000	254 230	
Kentucky	14.0	618,000	71	102	88	6,143,000	12,029,000	260 220	
Mississippi	10.0	13,000	80	90	87	185,000	504,000	271 . . .	
Missouri	9.0	2,348,000	75	101	85	29,937,000	57,699,000	255 233	
Tennessee	14.0	424,000	73	97	88	3,900,000	7,290,000	270 235	

Cotton—Wet weather has caused backwardness in the crop, but the plant has made fair progress in some localities. Reports relative to acreages in this district are slow coming in. The movement continues slow, and the demand for all grades less active than heretofore. There has been some inquiry from Liverpool, and cotton merchants feel that as soon as a few leading spinners begin to consume low-grade cotton, they will be followed by others who have until now confined their requirements to the longer staples.

LABOR

Some symptoms of unemployment are manifest in the chief centers of population in the district. These are traceable directly to the

switchmen's strike, which has caused curtailment and suspension of work in factories because of inability to secure raw materials. State commissioners and labor agencies report a continued shortage in all lines, which, in some skilled trades and on the farm, is acute. Outside of the railroads, actual strikes have been few during the past month, but unrest is noted in many quarters. The trend of wages is upward, farmers reporting the increases about in proportion to those in industrial labor.

COMMODITY MOVEMENT

Receipts and Shipments of Important Commodities at St. Louis during April, 1920 and 1919, and March, 1920, as reported by the Merchants' Exchange, were as follows:

	Receipts		Shipments		April, 1919
	April, 1920	April, 1919	March, 1920	April, 1920	
Flour, barrels	410,970	149,640	325,700	505,340	148,100 385,585
Wheat, bushels	1,394,748	774,994	1,336,883	1,085,740	458,450 565,490
Corn, bushels	3,414,050	1,837,550	2,214,855	2,304,510	713,070 1,473,505
Oats, bushels	3,180,000	1,804,000	3,324,000	2,759,180	1,095,630 2,602,290
Lead, pigs	248,190	120,660	92,550	167,480	67,320 127,025
Zinc and spelter, slabs	510,920	255,420	326,800	1,073,730	370,210 721,560
Lumber, cars	13,096	6,803	10,444	10,524	4,875 8,034
Meats, pounds	6,225,900	7,449,200	4,701,400	26,072,300	17,690,600 29,640,700
Fresh beef, pounds	1,443,800	674,000	1,477,200	24,753,500	16,962,900 20,213,300
Lard, pounds	3,749,100	3,098,000	748,400	8,623,000	5,991,900 4,424,600
Hides, pounds	1,096,800	739,200	1,800,700	7,199,200	1,729,000 4,461,000

BUILDING

Permits for building issued during April in the four principal cities of this district show a large gain numerically and in dollars as compared with the same month last year, but quite a sharp decrease as contrasted with the preceding month this year. A severe setback in this department of activity has been occasioned by the switchmen's

strike. Certain building materials are almost impossible to obtain, especially in the country and small towns. Housing needs are more urgent than ever, and numerous building projects are awaiting more auspicious material and labor markets to get under way.

Comparative figures for April are as follows:

	1920		April		1919	
	New Construction Permits	Cost	Repairs, Etc. Permits	Cost	New Construction Permits	Cost
St. Louis	503	\$1,469,525	520	\$421,425	323	\$749,900
Louisville	93	925,550	201	84,550	59	108,425
Memphis	199	923,590	50	129,770	107	465,000
Little Rock	61	260,250	118	50,759	21	139,925

AUTOMOBILE LICENSES

Automobile registration in reporting states included in the Eighth Federal Reserve District for the years from 1917 to 1919, inclusive, and for 1920, up to May 1, is as follows:

	1917	1918	1919	Jan. 1 to May 1, 1920
Arkansas	29,872	41,453	49,490	48,718
Illinois	340,292	389,761	478,438	448,526
Indiana	192,192	277,160	277,255	277,180
Missouri	151,027	188,040	244,636	238,132

LIVE STOCK

The movement of live stock showed an astounding shrinkage in April as compared with the same month in 1919 and last March. The decrease was caused by the switchmen's strike and car shortage. Raisers and feeders have sustained material losses through inability to ship their stock to market. Farmers are not buying stocker and feeder cattle as heavily as usual at this season. Scarce and expensive

credits and the high cost of feeds, coupled with dubious transportation service, are having a detrimental effect on stock fattening at the moment. As reported by the St. Louis National Stock Yards, receipts and shipment of live stock at St. Louis in April with comparison of the April, 1919, movement, were as follows:

	Cattle and Calves		Hogs		Sheep		Horses and Mules	
	1920	1919	1920	1919	1920	1919	1920	1919
Receipts	54,919	90,168	228,721	340,322	20,388	27,290	8,524	11,066
Shipments	26,381	26,754	142,642	128,487	6,155	1,598	10,719	10,493

FINANCIAL

The demand for money continues strong in this district. However, financial institutions are endeavoring to discourage all but absolutely essential borrowing, and are casting about for the best means of effecting curtailment of loans and credit deflation. The situation has been considerably aggravated by the partial paralysis in transportation, which has tied up enormous credits that might be doing service in the regular conduct of business.

A further slowing down in the market for commercial paper was noted during the past month. Brokers report decreases in volume of

business as high as 60% under the peak period this year. Country banks are purchasing more sparingly than heretofore, and the big city institutions are not in a position to take on much paper. Rates have advanced to $7\frac{1}{4}$ and $7\frac{1}{2}$ per cent, with some very choice names being offered at the latter figure.

Between April 15 and May 15 the high, low and customary interest rates prevailing in St. Louis, Louisville, Memphis and Little Rock, as reported by banks in those cities, were as follows:

	St. Louis			Louisville			Memphis			Little Rock		
	H	L	C	H	L	C	H	L	C	H	L	C
Customer's prime commercial paper:												
30 to 90 days.....	7	$6\frac{1}{2}$	$6\frac{1}{2}$	6	6	6	8	6	7	8	$6\frac{1}{2}$	7
4 to 6 months.....	7	$6\frac{1}{2}$	$6\frac{1}{2}$	6	6	6	8	6	7	8	$6\frac{1}{2}$	7
Prime commercial paper purchased in open market:												
30 to 90 days.....	...	...	...	7	6	6	...	...	...	7	7	7
4 to 6 months.....	...	...	...	7	6	6	...	...	...	7	7	7
Loans to other banks.....	$6\frac{1}{2}$	6	$6\frac{1}{4}$	6	6	6	7	6	6	$6\frac{1}{2}$	6	6
Bankers' acceptances of 60 to 90 days:												
Endorsed.....	6	6	6	$6\frac{1}{4}$	6	6	...	...	...	...	...	...
Unendorsed.....	6	6	6	$6\frac{1}{4}$	6	6	...	...	...	...	...	...
Loans secured by prime stock exchange collateral or other current collateral:												
Demand.....	7	6	$6\frac{1}{2}$	6	6	6	8	6	7	8	7	7
3 months.....	7	$6\frac{1}{2}$	$6\frac{1}{2}$	6	6	6	8	6	7	8	7	7
3 to 6 months.....	7	$6\frac{1}{2}$	$6\frac{1}{2}$	6	6	6	8	6	7	8	7	7
Cattle loans.....	7	$6\frac{1}{2}$	7	6	6	6	8	6	7	8	7	7
Commodity paper secured by warehouse receipts, etc.....	7	$6\frac{1}{2}$	$6\frac{1}{2}$	6	6	6	8	6	7	8	7	7
Loans secured by Liberty Bonds and Certificates.....	7	6	$6\frac{1}{2}$	6	6	6	6	6	6	8	7	7

The condition of banks in this district at the present time, and changes during the past month, are reflected in the following comparative statement, showing the principal resources and liabilities of

member banks of St. Louis, Louisville, Memphis, Little Rock and Evansville:

	May 7th, 1920	April 9th, 1920
Number of banks reporting.....	35	35
United States Bonds to secure circulation.....	\$ 16,925,000	\$ 17,176,000
Other United States Bonds, including Liberty Bonds.....	12,949,000	14,242,000
United States Victory Notes.....	3,034,000	3,641,000
United States Certificates of Indebtedness.....	13,579,000	13,253,000
Total United States Securities owned.....	46,487,000	48,312,000
Loans and investments including bills rediscounted with F. R. Bank:		
Loans secured by United States War Obligations.....	39,030,000	40,434,000
Loans secured by stocks and bonds other than U. S. Securities.....	156,433,000	155,844,000
All other loans and investments.....	393,780,000	402,656,000
Total loans and investments, including rediscounts with F. R. Bank.....	635,730,000	647,246,000
Reserve with the Federal Reserve Bank.....	43,945,000	44,534,000
Cash in vault.....	10,433,000	10,292,000
Net demand deposits on which reserve is computed.....	333,930,000	352,146,000
Time deposits.....	123,748,000	121,748,000
Government deposits	3,214,000	1,973,000

The volume of individual check transactions 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 ended—April 14	April 21	April 28	May 5
St. Louis	\$155,850,000	\$166,406,000	\$137,877,000	\$153,615,000
Louisville	37,596,000	38,792,000	31,756,000	36,560,000
Memphis	37,263,000	38,771,000	31,988,000	30,983,000
Little Rock	10,611,000	9,247,000	8,614,000	10,902,000
Evansville	6,023,000	5,536,000	5,712,000	5,568,000

In April the Federal Reserve Bank of St. Louis discounted a total of \$262,604,976 of paper for 271 different member banks, which is an increase of \$3,208,667 over the amount of paper discounted in March, and an increase of 32 in the number of banks accommodated.

The resources and liabilities of the Federal Reserve Bank of St. Louis on May 14, 1920, as compared to a month ago and a year ago, are shown in the following statements:

RESOURCES:

	April 16, 1920	May 14, 1920	May 16, 1919
Gold coin and certificates.....	\$ 5,358,000	\$ 3,692,000	\$ 3,973,000
Gold Settlement Fund—Federal Reserve Board.....	10,187,000	13,209,000	34,975,000
Gold with Foreign Agencies.....	5,301,000	5,301,000	.....
Total gold held by bank.....	20,846,000	22,202,000	38,948,000
Gold with Federal Reserve Agent.....	46,089,000	45,789,000	58,270,000
Gold Redemption Fund.....	7,638,000	6,262,000	4,465,000
Total Gold Reserve.....	74,573,000	74,253,000	101,683,000
Legal tender notes, silver, etc.....	4,973,000	7,164,000	2,264,000
Total reserves	<u>79,546,000</u>	<u>81,417,000</u>	<u>103,947,000</u>
Bills discounted—secured by Government War Obligations.....	50,319,000	56,816,000	54,640,000
Bills discounted—all other.....	58,357,000	55,519,000	9,984,000
Bills bought in open market.....	1,919,000	2,296,000	3,668,000
Total bills on hand.....	110,595,000	114,631,000	68,292,000
U. S. Government Bonds.....	1,153,000	1,153,000	1,153,000
U. S. Certificates of Indebtedness.....	17,242,000	17,205,000	14,682,000
Total earning assets.....	<u>128,990,000</u>	<u>132,989,000</u>	<u>84,127,000</u>
Bank Premises	866,000	866,000	541,000
Uncollected items and other deductions from gross deposits.....	60,758,000	51,103,000	48,066,000
5% Redemption Fund against F. R. Bank Notes.....	623,000	523,000	571,000
All other resources.....	430,000	428,000	463,000
TOTAL RESOURCES	<u>271,213,000</u>	<u>267,326,000</u>	<u>237,715,000</u>
 LIABILITIES:			
Capital paid in.....	4,164,000	4,170,000	3,838,000
Surplus	3,724,000	3,724,000	1,603,000
Government deposits	2,531,000	3,099,000	12,184,000
Due to Members—Reserve Account.....	69,499,000	67,172,000	63,460,000
Deferred availability items.....	40,421,000	43,447,000	36,791,000
Other deposits, including foreign Government credits.....	3,834,000	3,830,000	.....
Total gross deposits.....	116,285,000	117,548,000	112,435,000
F. R. Notes in actual circulation.....	134,211,000	129,996,000	105,491,000
F. R. Bank Notes in actual circulation—net liability.....	10,686,000	9,204,000	13,093,000
All other liabilities.....	2,143,000	2,684,000	1,255,000
TOTAL LIABILITIES	<u>271,213,000</u>	<u>267,326,000</u>	<u>237,715,000</u>
Contingent liability as endorser on paper rediscounted with or sold to other Federal Reserve Banks.....	32,139,000	46,858,000	.....

(Compiled May 18, 1920.)