MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 23) Federal Reserve Bank, Minneapolis 2, Minn. November 30, 1943

Business volume in October was unchanged from September but was about 20 per cent above October 1942 and as much as 60 to 75 per cent above October 1940, the last prewar year. Member bank deposits reached a new all-time high of $2,323 million. Bank loans also expanded to reverse the trend of the past two years. Farm income remained at the high September level.

BUSINESS

Business activity in the Ninth Federal Reserve District in October showed little change from a month ago with a few of the seasonally adjusted indexes advancing from September while others registered slight declines. On the upswing were the indexes of retail sales at city and country department stores, the total carloadings index, and Minnesota payrolls as well as Minnesota farm prices. Off from a month ago were the indexes of Minnesota employment, country lumber sales, miscellaneous carloadings and the indexes of bank debits at both city and country trade centers. Although the bank debits indexes at city and country trade centers were below the unusual high of a month ago, which resulted in large part from the Third War Loan, these two indexes were 38 and 33 points respectively above October 1942. The over-all picture indicated a volume of business in October about 20 per cent greater than a year ago and probably 60 to 75 per cent above October 1940, the last prewar year.

Northwest Business Indexes

Adjusted for Seasonal Variation —1935-39 = 100

	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1941
Bank debits—94 cities	191	207	153	137
Bank debits—farming centers	192	204	159	148
City department store sales	150	145	137	122
City department store stocks	139	146	145	129
Country department store sales	154	149	138	113
Country lumber sales	117	123	106	127
Miscellaneous carloadings	111	114	125	123
Total carloadings (excl. misc.)	142	141	133	129
Farm prices—Minn. (unadj.)	173	169	151	118
Minn. Employment (unadj. 1936=100)	146	151	134	125
Minn. Payrolls (unadj. 1936=100)	240	238	188	156

Iron ore shipments from Upper Lake ports in October exceeded shipments for the corresponding month a year ago for the third consecutive month. Early in November, shippers were confident the 1943 goal of 86.5 million tons would be achieved but the extremely unfavorable weather since November 10 may thwart their efforts. Below normal temperature at the Head of the Lakes necessitated steaming of the ore to facilitate transfer from ore cars to ore boats and has slowed the loading process to such an extent that more than 100 ore boats were in the harbor at one time awaiting cargo. In order to move the 86.5 million tons scheduled for shipment in 1943, it will be necessary to forward 9.8 million tons of ore during the months of November and December—an increase of 1.5 million tons over those months in 1942. Achievement of this goal will be possible only if favorable weather prevails for the balance of November and into the early days of December. Adequate stocks of ore at Lower Lake docks and furnaces are already assured.

Retail sales at department stores in this district in October averaged 7 per cent above October a year ago. Reports from country stores indicated a gain of 12 per cent while sales at city stores increased but 4 per cent. For the district as a whole, 53 stores reported sales below last October while 214 stores experienced larger sales.

Sales at Department Stores

October 1943 Compared to October 1942

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Oct. 1943 of Oct. 1942	% Jan.-Oct. 1943 of Jan.-Oct. 1942
Total District	214	53	107	116
Mpls., St. Paul, Dul.-Sup.	12	7	104	114
Country Stores	202	46	112	118
Minnesota	59	15	110	115
Central	5	2	107	123
Northeastern	5	3	101	105
Red River Valley	3	2	119	123
South Central	18	3	115	123
Southeastern	11	3	104	111
Southwestern	17	2	113	116
Montana	30	9	110	119
Mountains	6	4	97	103
Plains	24	5	114	124
North Dakota	43	5	120	123
North Central	7	3	115	123
Northwestern	4	1	118	123
Red River Valley	15	1	119	124
Southeastern	15	0	120	119
Southwestern	*	*	.....	.....
R. R. V.—Minn. & N. D.	18	3	119	124
South Dakota	25	2	116	130
Southeastern	5	1	113	131
Other Eastern	13	0	117	129
Western	7	1	127	135
Wisconsin and Michigan	45	15	108	113
Northern Wisconsin	13	4	124	112
West Central Wisconsin	22	9	105	112
Upper Pen. Michigan	10	2	103	120

*Not shown, but included in totals. Insufficient number reporting.

BANKING

Condition of All Ninth District Member Banks October 18, 1943

According to preliminary tabulation of call reports for all Ninth District member banks as of October 18, 1943, deposits reached a new high of $2.3 billion, 17 per cent above deposits for the previous call re-

port of June 30. Demand and time deposits of individuals and organizations, both exhibited significant increases in spite of the fact that the Third War Loan Drive had been concluded the first part of the month. Country banks experienced the largest relative increase in demand deposits of individuals and organizations, although their relative rise in **total** deposits was less than for city banks. U. S. Government deposits, as might be expected, showed a large percentage increase of 134 per cent, essentially a result of war bond sales during the recent drive and the resulting expansion of war loan deposits.

A large proportion of the increase in bank funds has been invested in U. S. Government obligations. Member bank holdings of government securities in the district reached a new high of $1.3 billion, an increase of 24 per cent over June 30. Other types of investments declined slightly relative to June 30 so that total investments of all member banks rose by 22 per cent.

Loans and discounts reversed a two-year downward trend and rose by slightly less than 10 per cent from June 30. While no breakdown of loans and discounts was available in this call report, data for the twenty weekly reporting banks would indicate that the bulk of the increase occurred in commercial, industrial, and agricultural loans and loans on securities, the larger percentage increase probably occurring in the latter group. Essentially the entire increase in loans and discounts took place at the city banks, loans and discounts of country banks rising by only 2 per cent.

Total capital accounts increased by slightly over 2 per cent, largely as a result of additions to undivided profits and reserves.

The table and chart give this data for the ninth district member banks in more detail together with a comparison with June 30 call report data.

CONDITION OF ALL NINTH DISTRICT MEMBER BANKS

(thousands of dollars)

	City Member Banks		Country Member Banks		All Ninth District Member Banks		
ASSETS	6-30-43	10-18-43[a]	6-30-43	10-18-43[a]	6-30-43	10-18-43[a]	% Change
Loans and Discounts	$176,484	$206,430	$166,026	$169,545	$342,510	$375,975	+ 9.7
U. S. Government Obligations	637,804	793,191	432,926	536,646	1,070,730	1,329,837	+ 24.2
Obligations of States & Pol. Subdivisions	23,278	21,159	41,237	40,126	64,515	61,285	— 5.1
Other Investments	18,687	18,530	26,529	25,628	45,216	44,158	— 2.3
Cash and Balances with other Banks	305,534	332,280	271,342	301,499	576,876	633,779	+ 9.9
Investments in Bank Premises	10,649	10,565	10,558	10,530	21,207	21,095	— .5
Other Real Estate			81	65	81	65	— 19.8
Other Assets	2,907	3,815	2,017	2,477	4,924	6,292	+ 27.8
TOTAL ASSETS	$1,175,343	$1,385,970	$950,716	$1,086,516	$2,126,059	$2,472,486	+ 16.3
LIA. & CAP. ACCOUNTS							
Dem. Dep. of Ind., Part., and Corp.	$521,048	$547,220	$427,301	$495,967	$948,349	$1,043,187	+ 10.0
Time Dep. of Ind., Part., and Corp.	115,356	123,952	283,638	302,277	398,994	426,229	+ 6.8
Deposits of U. S. Gov't	110,539	264,320	46,662	103,149	157,201	367,469	+133.8
Deposits of States and Pol. Subdivisions	96,449	72,551	77,768	62,434	174,217	134,985	— 22.5
Deposits of Banks	246,912	292,778	38,266	42,131	285,178	334,909	+ 17.4
Other Deposits	9,755	8,391	7,468	8,312	17,223	16,703	— 3.0
Total Deposits	1,100,059	1,309,212	881,103	1,014,270	1,981,162	2,323,482	+ 17.3
Other Liabilities	5,322	5,639	1,975	2,510	7,297	8,149	+ 11.7
Total Liabilities	1,105,381	1,314,851	883,078	1,016,780	1,988,459	2,331,631	+ 17.3
Total Capital Accounts	69,962	71,119	67,638	69,736	137,600	140,855	+ 2.4
TOTAL LIA. & CAP. ACCT'S	$1,175,343	$1,385,970	$950,716	$1,086,516	$2,126,059	$2,472,486	+ 16.3

[a]Preliminary.

City member bank deposits, according to the weekly reports, continued their increase and by November 17 reached a total of $1,290 million, a rise of $17 million over the previous month and an increase over a year ago of $332 million. Total investments reached a high of $817 million, an increase of $30 million over last month. Holdings of U. S. Government securities accounted for essentially the entire increase although holdings of U. S. Treasury bills and notes declined by $16 million during the month. An increase, however, of $22 million in certificates of indebtedness and $24 million in bonds more then offset this decline. Loans to customers, after experiencing an increase last month over September, declined by $10 million in November to $199 million. Approximately 60 per cent of this decrease occurred in commercial, industrial and agricultural loans and about 40 per cent in loans for carrying securities. Holdings of commercial paper rose by $1 million. Balances held with other banks in the United States declined by $5 million, and reserves with the Federal Reserve Bank increased by $3 million. Excess reserves declined $5 million during the month.

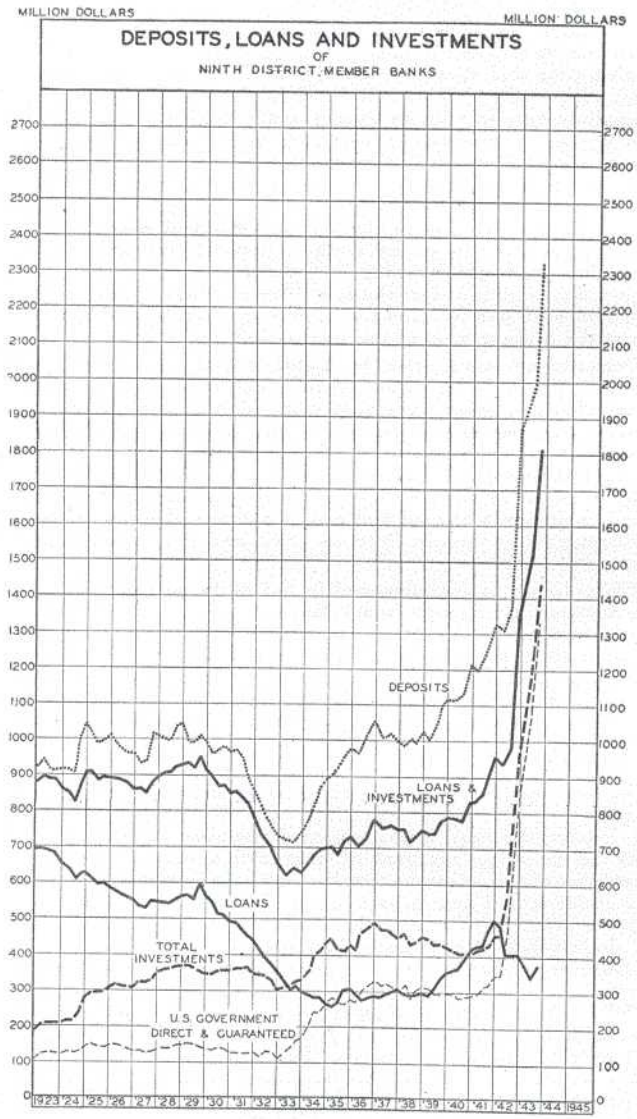
Country member bank demand deposits averaged $698 million during the last half of October, an increase of about 9 per cent over the last half of September. Time deposits rose another $2 million over August to a level of $305 million so that total demand and time deposits were up about $58 million over the previous month. Reserves carried with the Federal Reserve declined by $1 million relative to September. Total funds available for earning assets

increased by $7 million over the previous month and were about $151 million above last year.

The reserve position for all Ninth District member banks, as indicated by the daily average reserve figures for the sixteen-day period ending October 31, is given in the table below.

Daily Average Reserve Position of Ninth District Member Banks for Sixteen-Day Period Ended October 31, 1943

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks	$143,745	$139,129	$ 4,616
Other City Banks	20,576	17,072	3,504
Total City Banks	164,321	156,201	8,120
Total Country Banks	114,740	80,512	34,228
Total Ninth District–1943	279,061	236,713	42,348
Total Ninth District–1942	235,643	193,086	42,557



AGRICULTURE

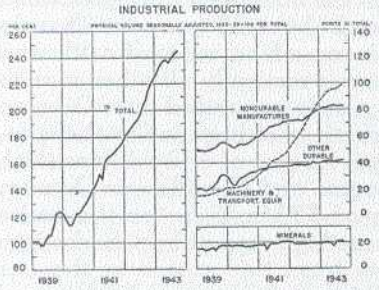
Farm cash income in the northwest during October remained at a high level about 30 per cent above a year ago. Although income from sales of cattle and rye were below last year, practically all other sources of farm income were greatly expanded over October 1942. The large marketings of hogs in October produced an estimated cash income of $42 million which compared to a hog income of $27 million in October 1942 and an income of $55 million for the entire year 1932. The current high rate of hog marketings indicates cash receipts from this source in the one month of November this year may exceed the annual hog income in the middle thirties. Cash farm income from the sale of nine important crop and livestock items in the Ninth District in October was estimated at $187 million. Cash farm income for the first ten months of 1943 was 30 per cent above the same period in 1942 and 167 per cent above 1940, the last prewar year. The largest relative gains were apparent in the Dakotas.

Prices paid to farmers for livestock registered no material change from last month or from October 1942 with the exception of egg and butterfat prices which made moderate gains. Crop prices on the other hand were up both from last month and from a year ago. These opposite trends are reflected in the corn-hog ratio which declined from 20.7 in October 1942 to 14.8 in October 1943.

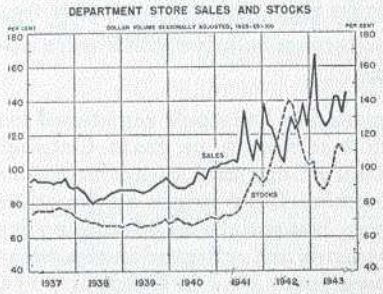
Wheat loans to farmers made through the Commodity Credit Corporation on the 1943 wheat crop are less attractive to farmers this year than in 1942. On October 16 this year, the agency reported 96 thousand wheat loans had been made in the U. S. on 94 million bushels of wheat. On the same date a year ago, 355 thousand loans had been completed on 241 million bushels.

Turkey production for 1943 has been estimated to be about the same as for 1942. However, military requirements in 1943 have exceeded last year to slightly reduce the civilian supply for this year. Total needs for the armed forces were estimated at 35 million pounds—approximately 10 per cent of the 445 million pounds expected in 1943. Price ceiling on turkeys ranging from 48 to 52 cents retail have been imposed, which may tend to shorten supplies in the eastern areas far from the centers of production. The temporary embargo on sales of turkeys to civilians was lifted in late October. Prices to turkey growers in this region averaged last month about 30 cents per pound live weight.

Feeder cattle shipments into corn belt states in October were smaller this year than last and most feeders have indicated a preference for heavier weights of cattle. Dwindling reserve feed supplies plus the uncertainty of ceiling prices on fat cattle (since removed by the directive establishing maximum prices at about current levels) probably influenced farmers to purchase cattle requiring a relatively short feeding period.



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for October 1943.



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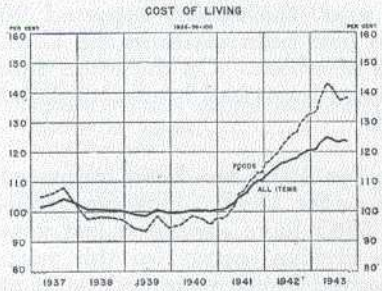
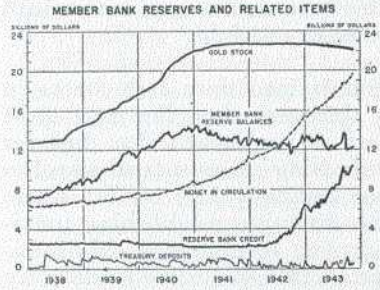


Bureau of Labor Statistics indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for October 1943.



Wednesday figures, latest shown are for November 17, 1943.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 26, 1943

Industrial activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

INDUSTRIAL PRODUCTION: The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40 per cent from last year but production of other stone, clay, and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meat packing, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November, but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

DISTRIBUTION: Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20 per cent greater than in October 1942, and livestock shipments were the highest in recent years.

COMMODITY PRICES: Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose .8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

BANK CREDIT: The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November reflecting some decline from the comparable October period. During the four weeks ending November 17 reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of 540 million dollars and a continued increase in required reserves as Treasuy disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

Following substantial bank purchases of special Treasury offerings in mid-October, Government security holdings at reporting member banks in 101 leading cities declined somewhat over the following month. The principal decrease was in holdings of bills at banks outside New York. Commercial loans while decreasing during the past two weeks, showed a net gain for the four-week period, while loans on securities, which rose to a high level during the Third War Loan Drive, declined substantially.