

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank, Minneapolis, Minn.

December 28, 1936

DISTRICT SUMMARY OF BUSINESS

The volume of business in the district continued to improve during November. The indexes which had been adversely affected by the crop failure and the resulting deficiency in grain marketing during September and October regained a considerable part of their autumn loss. The bank debits index rose from 74 in October to 77 in November. The rate of bank debits during the first half of December was at approximately the level of midsummer, the highest point in the recovery period. The country check clearings index has had a similar experience.

The trade indexes seasonally adjusted showed mixed trends during November. City department store sales and country lumber sales declined from the high levels of October. On the other hand, miscellaneous and l. c. l. freight carloadings increased, the former reaching a new high level since the summer of 1930.

Northwestern Business Indexes

(Varying base periods)

	Nov. 1936	Oct. 1936	Nov. 1935	Nov. 1934
Bank debits—94 cities.....	77	74	67	59
Bank debits—farming centers..	86	84	72	63
Country check clearings.....	149	141	129	109
Department store sales.....	91	94	86	77
Country lumber sales.....	90p	98	70	63
Miscellaneous carloadings....	99	89	81	76
L.C.L. carloadings.....	64	63	60	60

p—Preliminary

The business volume of the district was larger in November than in the corresponding month last year. Bank debits were 14 per cent larger, with all sections of the district, even those suffering from

crop failure, reporting increases. Country check clearings were 16 per cent larger than a year ago, and freight carloadings, excluding l. c. l., were 24 per cent larger. Other increases over last year were reported for electric power consumption, building permits and contracts, copper and iron ore output, butter production, livestock marketings, country lumber sales, and wholesale trade. Grain marketing and production of flour and linseed products were smaller than in November last year.

Retail Trade

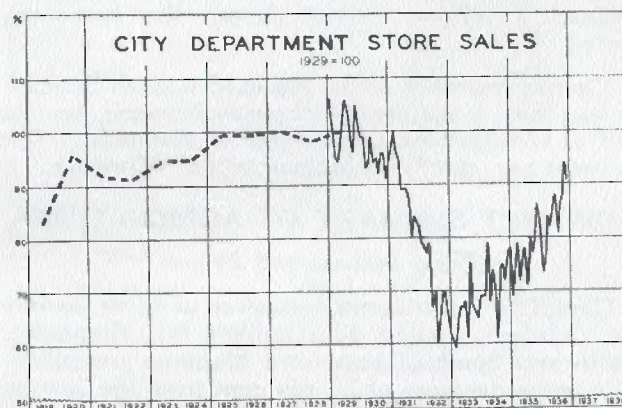
% Nov.
1936 of
Nov. 1935

Mpls., St. Paul, Duluth-Superior...	(21 stores)	104
Country stores	(386 stores)	103
Minnesota—Central	(19 stores)	105
Minnesota—Northeastern	(10 stores)	123
Minnesota—Red River Valley...	(8 stores)	100
Minnesota—South Central.....	(27 stores)	103
Minnesota—Southeastern	(18 stores)	106
Minnesota—Southwestern	(33 stores)	105
Montana—Mountain	(18 stores)	109
Montana—Plains	(38 stores)	106
North Dakota—North Central...	(13 stores)	88
North Dakota—Northwestern ...	(10 stores)	96
North Dakota—Red River Valley	(23 stores)	96
North Dakota—Southeastern ...	(25 stores)	97
North Dakota—Southwestern ...	(6 stores)	91
South Dakota—Southeastern ...	(18 stores)	90
South Dakota—Other Eastern...	(49 stores)	92
South Dakota—Western	(10 stores)	92
Northern Wisconsin and Michigan	(34 stores)	107
West Central Wisconsin.....	(37 stores)	112
Ninth District	(407 stores)	104

Retail trade in the district was about 4 per cent larger in November than in the same month last year. Twenty-one city department stores reported

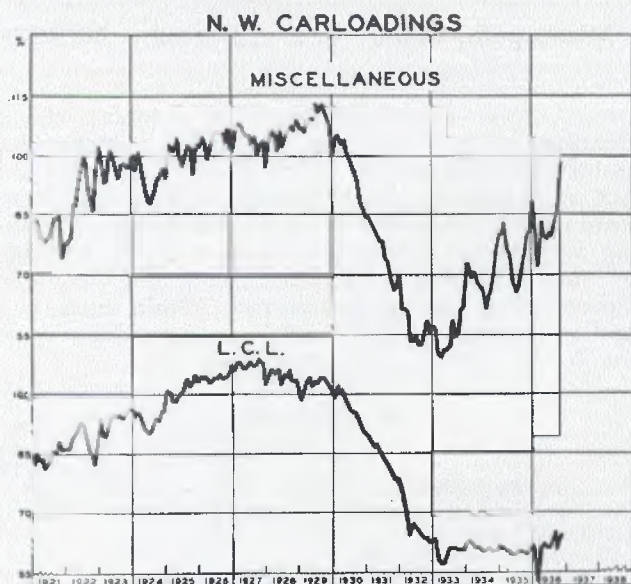


Bank Debits Index for Reporting Cities in the Ninth Federal Reserve District, adjusted for Seasonal Variation.



Index of Department Store Sales of Minneapolis, St. Paul and Duluth-Superior, adjusted for Seasonal Variation.

an increase of 4 per cent and three hundred and eighty-six country general stores reported an increase of more than 3 per cent. The largest increases in rural retail trade occurred in northwestern Minnesota, western Wisconsin, and western Montana. Trade in North Dakota and South Dakota was below the level of last year.



Carloadings of Miscellaneous Commodities and Less-than-Carlot Freight in the Northwestern District, adjusted to remove Seasonal Variation.

DISTRICT SUMMARY OF BANKING

Deposits of city member banks rose to the highest level on record on December 2 and declined in the succeeding two weeks. As a result, there was no net change in deposits during the four weeks ending December 16, 1936. Commercial demand deposits increased slightly and municipal deposits declined by about the same amount. On the asset side of the combined balance sheet of city member banks, changes were equally small. Investments rose 3 million dollars and loans to customers remained unchanged. Balances due from banks decreased 3 million dollars during the four-week period.

Country member banks reported a small increase of less than 1 per cent in deposits between the last half of October and the last half of November. The increase was chiefly in Minnesota and Montana.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Complete government estimates of farm income for October totalled \$71 million for Minnesota, North and South Dakota, and Montana combined. This was a decrease of 21 per cent from the income in October last year. There was an increase over last year's total for Minnesota which was more than offset by decreases in the other three states, where the

shortage of cash crops was a more important factor. Aside from 1935, the October, 1936, farm income in the district was the highest since 1930.

Our estimates of farmers' cash income in the district from seven important items were 23 per cent larger for November than for the same month last year. The increase was principally due to a doubling of the income from hogs which resulted chiefly from larger marketings and partly from higher prices. Income from dairy products was also somewhat larger than a year ago as a result of both larger production and higher prices. In spite of higher prices for grains and potatoes, the smaller marketings caused a decline in income from these products as compared with last year.

The farm price index of the University of Minnesota declined from 96 in October to 93 in November. A year ago the farm price index stood at 76.

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul showed the usual seasonal decline during November and the first half of December but continued somewhat larger than a year ago. November prices for butcher cows, butcher heifers and light butcher steers were unchanged from October and about the same as a year ago. Prices for prime butcher steers increased for the sixth successive month and at \$11.50 were higher than in any month since October 1935. The United States Department of Agriculture report on the number of cattle on feed on December 1 indicated a sharp reduction in cattle feeding operations during the present feeding season when compared with a year ago. Supplies of stocker and feeder cattle were greatly reduced during November but still exceeded the demand and prices declined a little further.

The dairy cow market at South St. Paul during November was fairly steady, demand being sufficient for the rather limited offerings. During the first half of December, stormy weather decreased both local and shipping demand. As a result of the narrowed outlets, prices again dropped to the year's low, \$70-\$35.

Imports of Canadian cattle to December 10 this year totalled approximately 159 thousand head and calves nearly 58 thousand head, both somewhat in excess of the quota permitted to enter at reduced tariff rates under the trade agreement with Canada. Canadian dairy cow imports continued during November at a little higher rate than in 1935, but the 11½ month total was only 65 per cent of the trade agreement quota.

Hog receipts at South St. Paul during November were larger than in the same month in any year since 1931, partly the result of a larger 1936 spring pig crop and partly the result of earlier than usual marketings because of shortened feed supplies. The weekly average weights of hogs marketed in November and the first half of December were a little

larger than in October but were more than 10 per cent smaller than in the same period a year ago when feed supplies were ample. Hog prices during November continued strong despite the largest receipts in five years and were slightly higher than in November last year. Heavy hogs (over 300 pounds) were scarce during the month and for the first time in a year and a half sold at higher levels than were obtainable for hogs under 300 pounds.

A new United States Department of Agriculture publication entitled "The Hog Situation" states that hog prices are now showing a tendency to strengthen and that from December to March the price trend will probably be upward. It also called attention to the fact that high prices of corn have resulted in a fairly heavy liquidation of breeding stock and will probably cause hog producers to raise fewer pigs in the spring of 1937 than in 1936. In regard to the 1937 outlook, it states that "for farmers who have sufficient feed, the present is a distinctly favorable time to carry brood sows on farms and to purchase additional feeder pigs. . . . It is probable that hog prices will advance relative to corn prices from December to March or April, thus causing the hog-corn price ratio to become somewhat more favorable for hog producers during this period."

Receipts of sheep and lambs declined materially in November and December from the October level but were still larger than a year ago. Despite the relatively large November receipts, both ewe and lamb prices recovered from the October price which was the lowest in nearly three years. However, prices declined in December and at the middle of the month were about as low as in October.

The United States Department of Agriculture December 1 report on the lamb feeding situation stated that the number of lambs on feed this year was somewhat larger than one year earlier. Increases were reported from all Western States, some of which had record numbers on feed. South Dakota and Nebraska reported decreases but they were more than offset by the increases in the Western States. The report also stated that "the relative distribution of lambs on feed among areas this year is different from that in most years, with a much larger than usual proportion located in states which usually market before February 1 and a small proportion in the late marketing areas of Colorado and Western Nebraska. This distribution is likely to be reflected in the distribution of slaughter supplies during the next four months."

Cold storage holdings of all foodstuffs on December 1 were much larger than the average on that date with the single exception of eggs which were about one-fifth smaller. Holdings of pork which had been continuously below the 5-year average since January 1935 were 106 per cent of the average owing to an increase during November of more than 3 times the average amount, resulting from the greatly increased slaughter of hogs during the month. The larger than usual stocks of dairy prod-

ucts were the result of smaller November withdrawals, and in the case of meats, the result of larger movements into storage. Lard stocks ordinarily decline during November, but because of the increase in the number of hogs slaughtered in November to a figure nearly twice as large as a year ago, lard stocks increased by 12 million pounds.

United States Cold Storage Holdings

(In thousands of pounds)

	Dec. 1 1936	Dec. 1 1935	Dec. 1 5-yr. Avg.
Beef	152,489	91,164	73,862
Pork	456,429	253,209	431,007
Lamb and Mutton	8,420	2,661	3,025
Miscellaneous Meats	94,395	63,284	63,187
Total Meats	711,733	410,318	571,081
Lard	106,927	37,906	64,480
Cream*	180	137	145
Butter	89,791	72,090	74,119
Cheese	114,539	104,661	94,318
Eggs**	3,648	4,996	4,641
Poultry	149,952	86,098	91,848

* thousand cans.

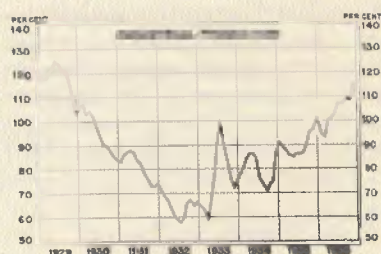
** thousand cases.

UNITED STATES DEPARTMENT OF AGRICULTURE DECEMBER 1 CROP PRODUCTION ESTIMATES

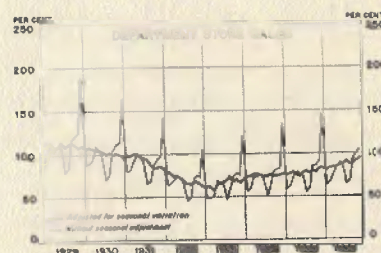
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All Wheat		Average 1928-32	
	1936	1935	1934
Minnesota	18,721	19,676	12,534
Montana	13,626	36,365	28,196
North Dakota	19,235	54,714	21,196
South Dakota	4,286	25,481	598
Four States	55,868	136,236	62,524
United States	626,461	626,344	496,929
Flax			
Minnesota	4,235	6,432	3,480
Montana	32	228	76
North Dakota	551	5,618	938
South Dakota	132	950	42
Four States	4,950	13,226	4,536
United States	5,908	14,520	5,213
Rye			
Minnesota	4,325	9,900	2,474
Montana	90	525	210
North Dakota	2,448	12,398	1,030
South Dakota	1,608	8,225	328
Four States	8,471	31,048	4,042
United States	25,554	58,597	16,045
Potatoes			
Minnesota	12,502	29,400	23,380
Montana	1,520	1,615	1,610
North Dakota	5,170	12,343	5,940
South Dakota	783	3,400	1,290
Four States	19,975	46,768	32,220
United States	329,997	386,380	385,421
Barley			
Minnesota	31,620	59,798	24,115
Montana	798	2,869	2,214
North Dakota	4,522	42,840	7,119
South Dakota	8,977	41,964	1,778
Four States	45,917	147,471	35,226
United States	147,452	285,774	118,348
Corn			
Minnesota	88,331	148,962	76,619
Montana	540	1,944	665
North Dakota	2,530	22,838	4,904
South Dakota	8,446	50,044	12,722
Four States	99,847	223,788	94,910
United States	1,524,317	2,296,669	1,377,126

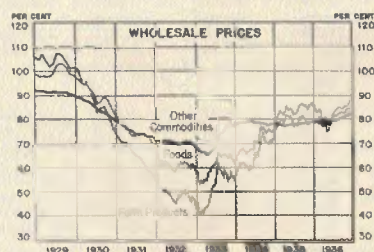
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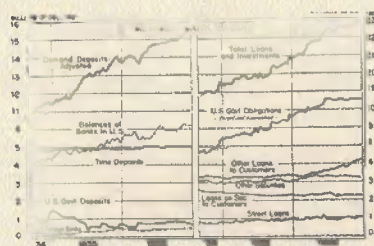
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to November 1936.



Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to November 1936.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks 1932 to date. Latest figure is for week ending December 19, 1936.



Wednesday figures for reporting member banks in 101 leading cities. Loans on real estate, loans to banks, and acceptances and commercial paper bought included in total loans and investments but not shown separately. September 5, 1934 to December 16, 1936.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM, DECEMBER 24, 1936

Production, wage payments, and the distribution of commodities to consumers increased considerably from October to November. Wholesale commodity prices have advanced steadily since the end of October.

PRODUCTION AND EMPLOYMENT: The Board's index of industrial production, which makes allowance for changes in the number of working days in the month and for the usual seasonal variations, was 114 per cent of the 1923-1925 average in November, as compared with 109 per cent in October. Output of both durable and non-durable manufactures showed a considerable rise. Production of steel ingots increased further to a rate of 79 per cent of capacity in November, and output of automobiles also increased. Figures for the first three weeks of December indicate continued expansion in output of both steel and automobiles. In the plate glass industry, where there has been a strike, production was sharply reduced in November, and activity at lumber mills declined, reflecting the effects of the maritime shipping strike on the Pacific coast. Increases in output were reported at meatpacking establishments and textile mills, and sugar meltings and output of tobacco products declined by less than the usual seasonal amount. At mines, coal production increased and output of crude petroleum and iron ore showed a smaller than seasonal reduction.

The value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, continued at about the same rate in November as in the previous month.

Factory employment showed little change from October to November, although a decrease is usual at this season of the year, and the Board's seasonally adjusted index advanced to 96 per cent of the 1923-1925 averages. The number employed at factories producing durable goods continued to increase, with the largest expansion in the automobile and machinery industries. There was a decline in employment at lumber mills and in the glass industry. In the non-durable goods industries as a group, employment showed a smaller decline than is usual in November. At shoe factories and establishments producing wearing apparel, smaller than seasonal declines were reported and there were increases in employment at cotton and woolen textile mills and at meatpacking plants.

DISTRIBUTION: Department store sales increased substantially in November and there was also a rise in sales at variety stores and at chain grocery stores. Sales by general merchandise stores and mail order houses serving rural areas declined from the high level reported for October.

Freight-carloadings showed a smaller than seasonal decrease in November. Loadings of coal, coke and grain increased contrary to the usual seasonal tendency, and shipments of miscellaneous commodities and of most other classes of freight declined by less than the seasonal amount.

COMMODITY PRICES: The general level of wholesale commodity prices continued to advance from the middle of November to the third week of December. There were substantial increases in the prices of wheat, flour, non-ferrous metals, and rubber. Prices of wool, cotton yarns, and worsted yarns advanced somewhat further and cotton, pig iron, and steel scrap prices also increased in this period.

BANK CREDIT: The reserve position of member banks in recent weeks has been influenced largely by temporary seasonal developments in connection with holiday currency requirements and mid-December financing by the United States Treasury.

Notwithstanding the increased demand for currency for Christmas shopping, there was a further growth in demand deposits at weekly reporting member banks through the first half of December, reflecting additions to monetary gold stocks, as well as a sharp increase in bank loans.

At reporting banks outside New York City, holdings of government securities increased by \$140,000,000 in the four weeks ending December 16, while at New York City banks they showed a further small decline. There was an increase of \$100,000,000 in loans to brokers and dealers in securities in New York City, largely for the purpose of buying United States government securities. Commercial loans showed a further increase of \$150,000,000, carrying the total volume of such loans to a level \$800,000,000 higher than a year ago.