

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY OF BUSINESS

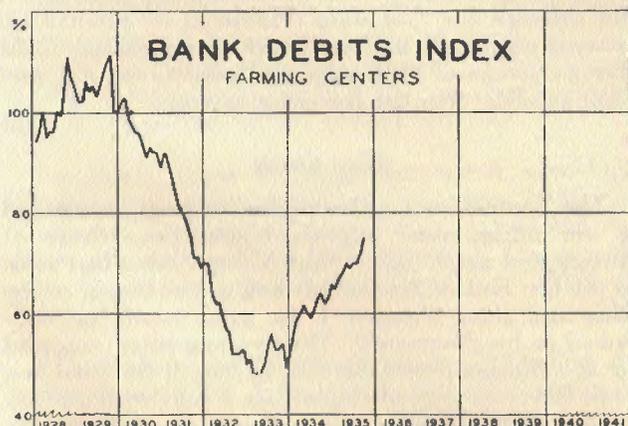
Business in the district showed no definite upward or downward trend during September. The index of bank debits dropped three points, probably as a result of the marketing of a sub-normal wheat crop which adversely affected the dollar volume of business in Minneapolis and Duluth. On the other hand, the index of bank debits in the agricultural centers of the district rose four points in September to the highest level since the fall of 1931, and half way back to the level of 1928. Increases in September over August also occurred in the indexes of country check clearings and miscellaneous freight carloadings. Decreases occurred in the indexes of city department store sales and country lumber sales.

Northwestern Business Indexes (Various base periods)

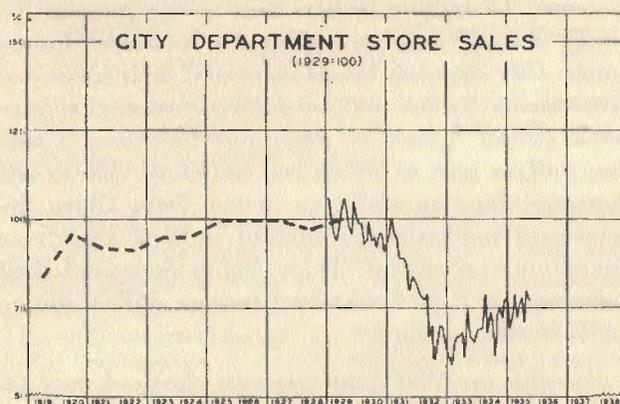
	Septem- ber 1935	August 1935	Septem- ber 1934	Septem- ber 1933
Bank debits—94 cities.....	70	73	61	54
Bank debits—Farming centers.....	75	71	64	53
Country check clearings....	129.2	126.5	107.3	81.9
Department store sales....	77	80	75	67
Country lumber sales.....	77	82	68	59
Carloadings—Miscellaneous.	73	69	65	56
Carloadings—L. C. L.....	60	60	60	60

Business in September continued to be in larger volume than in the same month last year. Bank debits were 15 per cent larger, country check clearings were 20 per cent larger, and freight carloadings were 17 per cent larger than in the corresponding period a year ago. Other increases occurred in electric power consumption, building permits and contracts, linseed product shipments, copper and iron ore output, grain marketings, country lumber sales, life insurance sales, and wholesale trade. The only significant decrease from last year's volume occurred in marketings of live stock.

Retail trade in the district was about as large in September as in the corresponding month last year, with city department stores reporting a 3 per cent increase and rural general stores reporting a 2 per cent decrease. Rural trade was larger in September than a year ago in southern Minnesota, eastern Montana, western Wisconsin, and the northern peninsula of Michigan but smaller than last year in the Red River Valley sections of Minnesota and North Dakota and in South Dakota.



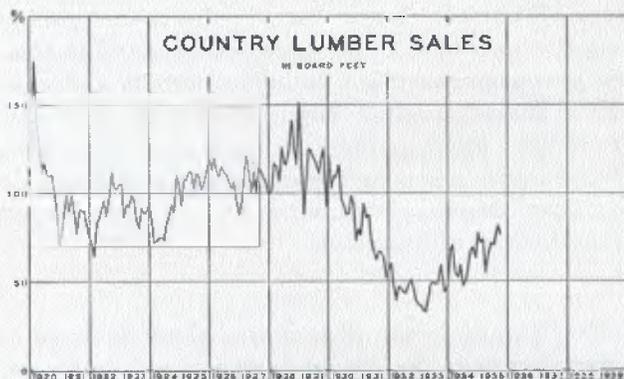
Bank Debits Index for Agricultural Communities in the Ninth Federal Reserve District, adjusted for seasonal variations.



Index of Department Store Sales at Minneapolis, St. Paul, and Duluth-Superior, adjusted for seasonal variations.

Retail Trade

	% September, 1935	% September, 1934
Mpls., St. Paul, Duluth-Superior.. (22 stores)	103	
Country stores (361 stores)	98	
Minnesota—Central (14 stores)	99	
Minnesota—Northeastern (10 stores)	98	
Minnesota—South central (22 stores)	98	
Minnesota—Southeastern (20 stores)	103	
Minnesota—Southwestern (36 stores)	101	
Minn.-No. Dak., Red River Val. (36 stores)	87	
Montana—Mountain (19 stores)	99	
Montana—Plains (37 stores)	113	
South Dakota—Southeastern (15 stores)	87	
South Dakota—Other eastern.. (44 stores)	83	
Wisconsin—West central (39 stores)	105	
Northern Wisconsin & Mich.. (34 stores)	113	
Ninth District (383 stores)	101	



Country Lumber Sales in the Ninth Federal Reserve District. The figures are reported in board feet and have been adjusted to remove seasonal fluctuations.

DISTRICT SUMMARY OF BANKING

Deposits of city member banks rose 24 million dollars during the four-week period ending October 16 and reached a new high level for all time. Of this increase, 14 million dollars was in commercial deposits and 10 million dollars in balances due to banks. City member banks increased their loans and investments by 21 million dollars during the four-week period. Loans to customers increased 7 million dollars, part of which was indirectly due to city mortgage lending activities in the Twin Cities. Investments increased 14 million dollars, largely in government securities. These banks increased their balances due from banks by 3 million dollars during the four-week period.

Country member bank deposits changed very little during September with the exception of a seasonal increase in Montana, which resulted from the movement of crops.

DISTRICT SUMMARY OF AGRICULTURE

Farmers' Cash Income

Farm income from marketings of seven important items in the Northwest was two-thirds larger in September than in the same month last year, according to our estimates. The income from the marketings of wheat, rye, and flax was three times as large as a year ago, chiefly due to much heavier marketings which more than offset the lower prices for all grains except bread wheat. Income from potato marketings was also larger than a year ago. Decreases occurred in the income from dairy products and hogs, as a result of smaller production and marketings. These estimates do not include government rental and benefit payments.

September prices of all kinds of live stock and of bread wheat, butter, hens, eggs, and potatoes were higher than prices a year ago. Prices of durum wheat, oats, barley, rye, flax, and milk were lower than last year's prices. The University of Minnesota adjusted index of farm product prices rose from 70.8 in August to 73.6 in September.

Cold Storage Holdings

Continued high prices for pork and lard during September resulted in smaller consumption than usual and a much smaller decrease in cold storage holdings than usually occurs in September. Stocks of pork and lard on October 1 were only about half as large as the five-year average for that date. As is customary during September, there was little change in the cold storage holdings of beef, lamb, and miscellaneous meats. On October 1 stocks of these meats were below the average.

Cold storage stocks of dairy products showed the usual seasonal changes during September, small decreases in cream and butter, and an increase in the holdings of cheese. The increase in cheese stocks was larger than normal and on October 1 cheese stocks were 11 per cent larger than the five-year average. On October 1 butter stocks were 24 per cent above the average for that date. Holdings of poultry increased seasonally and stocks of eggs declined. Cold storage stocks of both eggs and poultry were somewhat smaller than the five-year average.

Live Stock

The September median prices for hogs, computed in our office, were slightly higher than those of August and much higher than in September last year. In the last half of September hog prices began to decline and since October 1 the price trend has continued to be downward. The average price reported by the Market News Service at South St. Paul has been lower in each of the last six weeks with one exception. The number of hogs received at South St. Paul during September was seasonally larger than the number received in August, but was little more than one-third the number received in September

last year. During the first three weeks of October, hog receipts were less than half as large as in the same three weeks last year at South St. Paul and also at the six other important midwest markets.

Cattle receipts at South St. Paul during September were larger than those of August, but were smaller than the September, 1934 total receipts which included about 163,000 head of government-purchased cattle. The median prices for most of the various classes of cattle were lower in September than in the preceding month, but September "highs" were higher than in August with the exception of lightweight feeder steers. Short supplies of high-quality animals resulted in the establishment of the higher "highs," and extremely heavy runs of ordinary to good cattle were responsible for the lower medians. During the first three weeks of October, cattle receipts were a little larger than in the same three weeks last year, both at South St. Paul and at the six other principal midwestern markets. The plentiful supplies of cattle have caused gradual declines since October 1 in average prices for the various cattle classes, but the continued scarcity of well-finished butcher stock and highly bred feeders has resulted in the establishment of "highs" that were only slightly below those set in September.

The government report on the cattle feeding situation on October 1 indicated a material increase in the number of cattle to be fed during the 1935-36 feeding season. The increase was particularly pronounced in the western corn belt states, where operations were greatly reduced last season because of the drouth.

Sheep and lamb receipts at South St. Paul during September were seasonally larger than in August and were only a little below the commercial receipts in September, 1934. Sheep and lamb receipts at the seven more important midwest live stock markets during September were also seasonally larger than in August but were far below receipts during September, 1934. During the first three weeks of October, receipts of sheep and lambs at South St. Paul and the six other principal midwest markets continued to increase seasonally but remained smaller than in the corresponding period last year.

Fat lamb prices in September set a new high record for the fall marketing period since 1930. On September 9 choice fat lambs sold at \$10 but declined gradually during the balance of the month, only to recover and again register at \$10 on October 9.

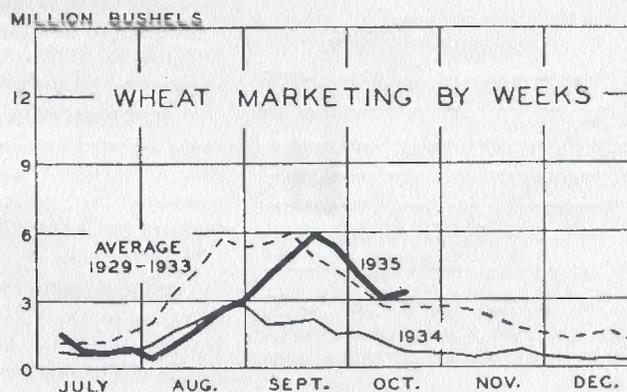
The government report on the lamb feeding situation on October 1 indicated a large decrease in the number of lambs to be fed this season when compared with last season. According to the report, it is expected that the total number to be fed will be the smallest in the last six seasons.

Crops

Increases in the preliminary crop estimates and forecasts of all but two of the more important crops featured the United States Department of Agriculture October 1 report for the four complete states in the Ninth Federal Reserve District. The October 1 barley estimate showed the greatest increase, a little more than six million bushels. The two crops, for which the forecasts were reduced slightly, were flax and potatoes.

Crop Marketings

Weekly marketings of both wheat and flax at Minneapolis and Duluth-Superior this year attained a substantial volume several weeks later than in preceding years, reflecting the lateness of the growing season. Terminal marketings of wheat in the four complete states in the Ninth Federal Reserve District in the period July 1 to October 19 amounted to 44,430,000 bushels. Terminal marketings of wheat in the preceding crop year July 1, 1934, to June 30, 1935) were only 41,474,000 bushels, which represented 60 per cent of the portion of last year's crop and carry-over that was estimated to be available for marketing. Because of the much larger crop this year, the July 1 to October 19 marketings, although nearly 3 million bushels larger than the total marketings last season, were only 35 per cent of the portion of the crop which we estimate will be available for marketing.

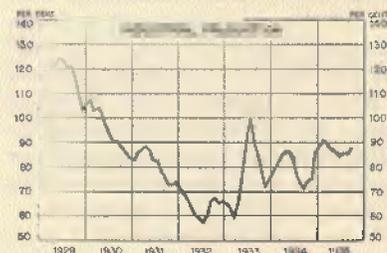


Wheat marketings from the Northwest by weeks, July-December, 1929-1933 average, 1934 and 1935. (Week ending October 19, 3,385,000 bushels.)

Although the lateness of the season delayed the marketing of flax until the latter part of August, substantial increases were recorded in the marketings in subsequent weeks, reaching a high of more than $1\frac{1}{4}$ million bushels late in September, from which point the volume of weekly marketings has receded. The total marketings from August 1 through October 19 amount to 7,978,000 bushels, nearly twice as large as the marketings in the complete marketing season from August 1, 1934, to July 31, 1935.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM OCTOBER 26, 1935



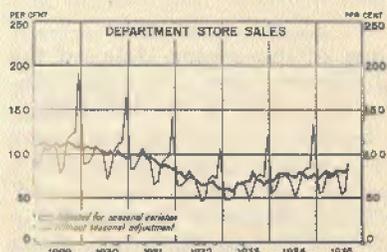
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average=100.)



Indexes of the United States Bureau of Labor Statistics. (1924=100.) By months 1929 to 1931; by weeks 1932 to date.



Index of factory employment, adjusted for seasonal variation. (1923-1925 average=100.)



Indexes of daily average value of sales. (1923-1925=100.)

Industrial production and employment increased in September, and distribution of commodities to consumers was in larger volume, reflecting in part seasonal influences. The general level of wholesale prices showed little change.

PRODUCTION AND EMPLOYMENT: Output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, advanced from 87 per cent of the 1923-25 average in August to 88 per cent in September, reflecting chiefly increases in the output of iron and steel, lumber, cotton and silk textiles, and anthracite, offset in part in the total by declines in the production of automobiles and woolen textiles. At steel mills, activity increased from 49 per cent of capacity in August to 51 per cent in September, and during the first three weeks of October continued at about the September level. At automobile factories, a sharp decline in output during September, as preparations were made for new models, was followed in the early part of October by a rapid advance. Lumber production continued to increase in September. In the cotton textile industry, where output had been at a relatively low level since April, activity showed a marked increase in September and there was also an increase in output at silk mills, while at woolen mills, where activity has been at an exceptionally high level for several months, there was a decline.

Factory employment showed a seasonal increase between the middle of August and the middle of September. The number employed at foundries and in the lumber, non-ferrous metals and machinery industries increased substantially, while in the automobile industry there was a considerable decline. At cotton mills, employment showed a seasonal increase and at silk and rayon mills there was an increase of more than the usual seasonal amount, while employment at woolen mills and shoe factories declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in the six weeks ending October 15 as in the previous six weeks, reflecting an increase in residential building, partly of a seasonal character, and a slight decline in other types of construction.

DISTRIBUTION: Freight carloadings showed an increase of more than the usual seasonal amount in September and increased further in the first half of October. Department store sales also increased by more than the estimated seasonal amount in September, and for the third quarter the average of the Board's seasonally adjusted index was 80 per cent of the 1923-1925 average as compared with 75 per cent a year ago.

COMMODITY PRICES: The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, showed little change during September and the first three weeks of October. Prices of grains decreased in the middle of October, following a considerable advance, while prices of silk, hides, and copper increased throughout the period.

BANK CREDIT: Reserves of member banks continued to increase during the five weeks ending October 23, reflecting chiefly imports of gold from abroad. At the end of the period, reserves in excess of legal requirements at \$2,930,000,000 were at the highest level on record.

At weekly reporting member banks in 91 leading cities, adjusted demand deposits increased by \$40,000,000 during the four weeks ending October 16, while United States government deposits declined and inter-bank balances rose to a new high level.

Loans on securities decreased by \$40,000,000, while other loans, including commercial credits, increased by \$80,000,000.

Yields on both short-term and long-term government obligations increased from the last week in August to the first part of October and subsequently declined. Other short-term open-market money rates remained at previous low levels.