

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
NINTH FEDERAL RESERVE DISTRICT

W. B. GEERY, Chairman of the Board
and Federal Reserve Agent

E. W. SWANSON OLIVER S. POWELL
Assistant Federal Reserve Agents

HAROLD C. TIMBERLAKE
Assistant Statistician

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DISTRICT SUMMARY OF BUSINESS

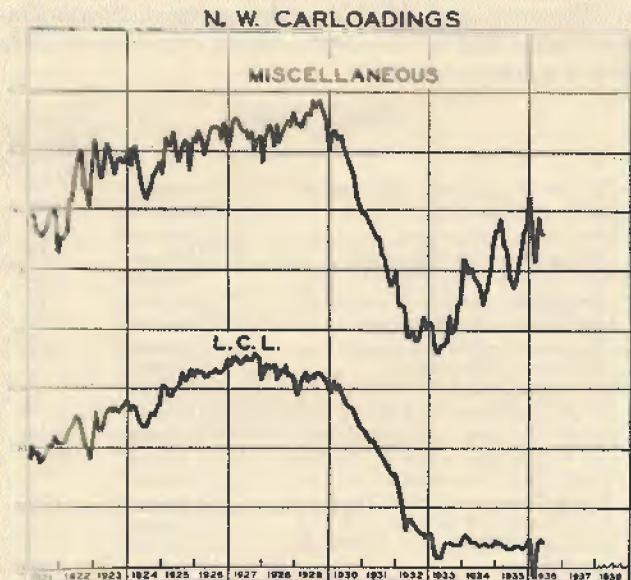
Retail trade in the district advanced sharply in May over the level of April while other indexes of business in the district showed little change. The index of city department store sales rose from 82 in April to 86 in May and at the latter figure, it equalled the highest previous point since the summer of 1931. The index of country lumber sales rose still more sharply from 81 in April to 98 in May, at which point it was the highest since September 1930. The majority of the other adjusted business indexes for the district declined slightly in May from the April level but remained at close to the highest figures for the recovery movement.

Northwestern Business Indexes

(Varying base periods)

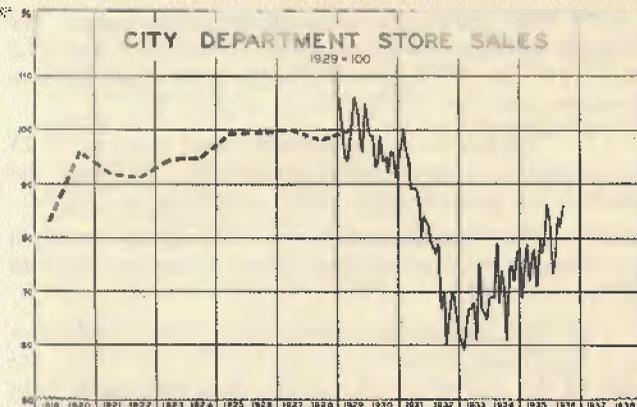
	May 1936	April 1936	May 1935	May 1934
Bank Debits—94 Cities.....	78	80	71	62
Bank Debits—Farming Centers.....	80	79	69	60
Country Check Clearings.....	139	141	127	100
Department Store Sales.....	86	82	76	74
Country Lumber Sales.....	98	81	72	60
Miscellaneous Carloadings.....	79	80	67	67
L.C.L. Carloadings.....	61	62	59	61

The volume of business in the district during May continued to be larger than the volume for a year ago in practically every important line. Bank debits were 10 per cent larger in May than in May a year ago, country check clearings were 9 per cent larger,

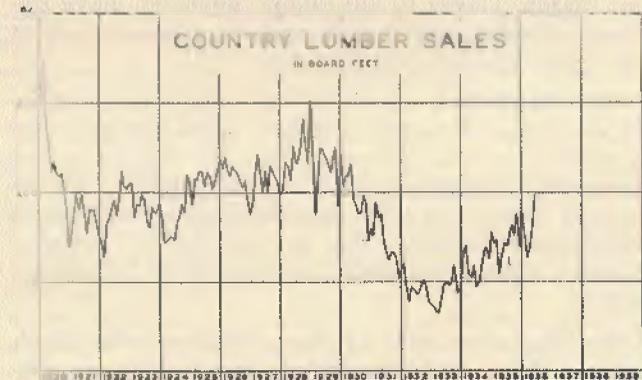


Carloadings of Miscellaneous Commodities and Less-than-carlot Freight in the Northwestern District, Adjusted to remove Seasonal Variation.

and freight carloadings were 25 per cent larger. Building permits and contracts were more than double last year's May total. Other increases in the latest reported figures over the same period a year ago occurred in electric power consumption, real



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



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

estate activity in Hennepin and Ramsey Counties, flour and linseed product shipments, butter production, grain and livestock marketings with the exception of sheep, country lumber sales and wholesale trade.

Retail trade in the district was 14 per cent larger in May this year than in May a year ago with both city and rural stores showing the same percentage increase. However, sub-dividing rural sales into the smaller trade areas of the district, the comparison with last year was quite irregular. Increases larger than the average occurred in nearly all of Minnesota and in Montana, western North Dakota, and parts of Wisconsin and Michigan. In contrast, South Dakota sales during May were about equal to sales in May a year ago.

Retail Trade	% May, 1936, of May, 1935
Mpls., St. Paul, Duluth-Superior... (21 stores)	114
Country Stores (338 stores)	114
Minnesota—Central (15 stores)	120
Minnesota—Northeastern (7 stores)	111
Minnesota—Red River Valley (9 stores)	121
Minnesota—South Central (22 stores)	119
Minnesota—Southeastern (18 stores)	118
Minnesota—Southwestern (33 stores)	115
Montana—Mountain (18 stores)	119
Montana—Plain (31 stores)	115
North Dakota—Red River Valley (22 stores)	114
North Dakota—Southeastern (25 stores)	114
North Dakota—Other No. Dak. (12 stores)	135
South Dakota—Southeastern (15 stores)	96
South Dakota—Other Eastern (41 stores)	105
Wisconsin—West Central (38 stores)	110
Northern Wisconsin and Mich. (32 stores)	115
Ninth District (359 stores)	114

DISTRICT SUMMARY OF BANKING

Throughout the last half of May and the first half of June total deposits at city banks continued to recover from the sharp decrease that occurred during the weeks immediately preceding the May 1st "money and credits" tax date and reached a total of \$532,492,000 on June 10, which was only slightly below the high point of \$532,785,000 established last March. Loans to customers, however, have declined almost continuously and were lower than at any time since late last summer.

City bank balance sheet changes between May 13 and June 17 included a very substantial increase in public deposits, reflecting May 31 real estate tax payments, a moderate increase in balances due to country banks and a comparatively small increase in commercial deposits. The net increase in demand deposits during the period amounted to 24 million dollars.

On the asset side of the combined city bank balance sheet, there was the decline in loans to customers previously referred to, and a decline in reserve balances with this bank. Holdings of government securities, however, increased 22 million dollars, part of which represented city bank participa-

tion in recent governmental security offerings. Balances due from other banks increased by nearly 18 million dollars.

Borrowings at this bank by country member banks decreased sharply between May 13 and June 17, the total of our advances to all country banks in this district being only \$64,000 on the latter date.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income

The estimated cash income of northwestern farmers from seven important items was 30 per cent larger in May than in the same month last year. These figures do not include government rental and benefit payments. The increase in income was chiefly due to larger marketings, for prices of all farm products in the northwest were lower in May than a year ago with the exception of veal calves, hogs, lambs, wool, hens, and potatoes. More complete estimates of farm income in the northwest, including government payments, are provided somewhat later by the United States Department of Agriculture. These more comprehensive figures show that in Minnesota, North and South Dakota, and Montana the April cash income of farmers was \$43,833,000 as compared with \$38,249,000 in April last year. Rental and benefit payments to farmers in April this year totaled only \$2,076,000 compared with \$6,383,000 in April a year ago.

Dairy Farm Earnings and Expenses

The University of Minnesota recently released figures showing the average earnings of 20 dairy farmers in southeastern Minnesota for the years 1929-35 inclusive. While these dairy farmers were above the average in efficiency and in general level of production, their experience provides an interesting indication of the general trends of farm income in this region. The table at the foot of page 27 gives the major items of income, expenses, and changes in inventory. It was interesting to note the following conclusions from these figures:

(1) Net cash income, after adjustment for changes in farm inventory, grew from \$353 in 1932 to \$2,897 in 1935, but the latter year's net income was less than the 1929 income of \$4,135.

(2) The income from poultry and eggs in 1935 was more than double the income in 1932 and exceeded the income from dairy products in 1935.

(3) Miscellaneous income including receipts from lambs and wool were three times as large in 1935 as in 1932.

(4) The unusually heavy outlay for machinery and buildings amounting to \$1,100 in 1935 exceeded the outlay for this purpose in any other year covered by the survey.

(5) Tax payments in 1935 were smaller than in any of the six other years included in the survey.

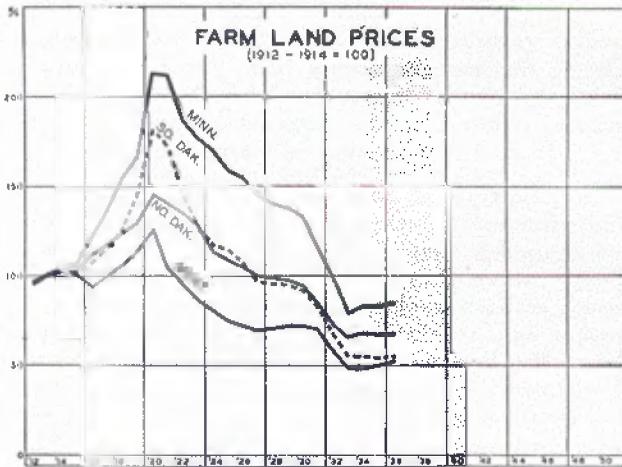
Farm Land Prices

The government estimates of farm land prices on March 1, 1936 were slightly higher than the estimates one year earlier for all states in the north-west. The following table quotes the index numbers of farm land prices on March 1 of the past three years.

Farm Land Prices

1912-14 = 100

	1934	1935	1936
Minnesota	83	83	85
North Dakota	68	67	68
South Dakota	55	54	55
Montana	48	50	53



Farm Land Prices in Four Northwestern States, as percentages of the pre-war average prices in 1912-1914.

Cold Storage

Changes in cold storage holdings of principal farm products during May were chiefly seasonal, in-

cluding increases in holdings of butter, cheese, eggs, and lard, and decreases in holdings of poultry, beef, pork, and other meats. The decreases in beef and lamb and mutton in storage were more than seasonal whereas the decline in poultry holdings was less than seasonal. On June 1, 1936, holdings of beef, poultry, and cheese were above the five-year average for that date while all other commodities were held in less than average quantities.

United States Cold Storage Holdings

(In thousands of pounds)

	June 1, 1936	June 1, 1935	June 1, 5-year Average
Beef	51,147	63,523	44,343
Pork	440,694	503,413	687,831
Lamb and Mutton	1,282	2,818	1,883
Miscellaneous Meats	56,768	57,049	59,957
Total Meats	549,891	626,803	794,014
Lard	99,917	89,986	129,917
Cream*	86	115	148
Butter	21,149	33,141	31,946
Cheese	70,804	56,767	57,815
Eggs†	8,366	8,785	9,763
Poultry	41,871	48,274	41,075

*Thousand cans. †Thousand cases.

Crops

The government June 1 production forecast for winter wheat in Minnesota, Montana, and South Dakota was the same as the estimate one month earlier, but it was about 20 per cent smaller than the 1935 harvest in those three states and about 10 per cent smaller than the average for the ten preceding years.

For the entire United States, the June 1 forecasted production was somewhat larger than on May 1 and was about 11 per cent larger than the 1935 harvest, but about 11 per cent smaller than the 10-year average.

Average Cash Receipts, Expenses and Inventory

Changes per Farm, 1929-1935

	1929	1930	1931	1932	1933	1934	1935
Cash receipts:							
Dairy products	\$1,927	\$1,607	\$1,223	\$ 976	\$ 972	\$1,173	\$1,217
Cattle	698	737	441	316	325	385	618
Hogs	2,020	2,220	1,269	669	710	749	919
Poultry and eggs	635	632	663	608	686	1,048	1,339
Crops	597	458	326	362	395	325	452
A.A.A. payments	0	0	0	0	0	442	318
Miscellaneous (including lambs and wool)	302	324	235	211	229	426	650
Total cash receipts	\$6,179	\$5,978	\$4,157	\$3,142	\$3,317	\$4,548	\$5,513
Cash expenses:							
Machinery and buildings	\$ 999	\$1,047	\$ 616	\$ 496	\$ 455	\$ 558	\$1,100
Hired labor	389	417	321	241	211	220	316
Feed and crop	806	875	595	463	411	644	862
Livestock expense	492	522	241	164	185	367	921
Taxes	280	294	290	270	210	224	202
Miscellaneous	81	85	87	71	78	71	93
Total cash expenses	\$3,047	\$3,240	\$2,150	\$1,705	\$1,550	\$2,084	\$3,494
Net cash income	\$3,132	\$2,738	\$2,007	\$1,437	\$1,767	\$2,464	\$2,019
Increase in farm inventory	1,003	0	0	0	415	370	878
Decrease in farm inventory	0	635	984	1,084	0	0	0
Net income including changes in farm inventory	\$4,135	\$2,103	\$1,023	\$ 353	\$2,182	\$2,834	\$2,897

Since June 1, reports received indicate further deterioration has taken place in the condition of winter wheat in our three states. On the other hand, the condition of winter wheat in the southwest is reported to have improved materially since June 1.

The June 1 rye production forecast for the four complete states in the Ninth Federal Reserve District was about 12 per cent smaller than the May 1 forecast as a result of inadequate soil moisture reserves, aggravated by insufficient rainfall and hot dry winds. The June 1 estimate was less than half as large as the larger than usual 1935 harvest and was about 25 per cent smaller than the 10-year average. Since June 1, there has been a very large reduction in the number of acres of rye to be cut for grain, especially in North Dakota. On May 1 the United States Department of Agriculture estimated that 1,124,000 acres of rye would be harvested in North Dakota this summer. This represented more than half of the rye acreage in the Ninth Federal Reserve District and nearly one-third of the total acreage of rye for grain in the entire United States. According to reports received in this office from banks, railroads, line elevator companies and our own representatives, in the drier sections of the state, livestock have been turned onto many thousands of acres of rye and many more thousands of acres have been or will be plowed under.

Livestock Marketings

Receipts of cattle and calves at South St. Paul decreased during May but continued to be larger than in the same month of the preceding year. Prices for practically all classes of cattle declined, heavy cattle showing the largest decrease. Throughout the month, the demand for better grade light weight cattle was stronger than the demand for heavy weights and at mid-month, fed cattle prices were lower than at any time since the fall of 1934. During the first three weeks of June, receipts continued at about the same level as in May, the increased receipts of cattle, especially thin steers, from the drouth areas of North Dakota and Montana more than offsetting the customary June decrease. All cattle prices declined during the first two weeks of June, partly because of the increased receipts and partly because of dullness in the wholesale dressed beef trade. During the third week of June heavy cattle prices suffered further declines, medium weight cattle sold slowly, but lightweight steers and heifers continued to sell readily.

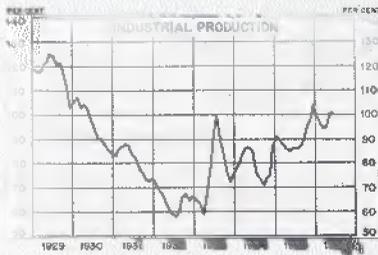
Imports of Canadian beef cattle during the period January 1 to June 11, 1936 totaled 107,000 head compared with 79,000 head in the same period last year. Imports of Canadian dressed beef, however, were less than 1 million pounds in the first four months of this year compared with more than 3 million pounds during the same period in 1935. Seventeen thousand Canadian calves were imported during the January 1-June 11 period this year com-

pared with only 2 thousand a year ago, whereas imports of Canadian dairy cattle totaled only 5 thousand this year compared with 6 thousand in the same period a year ago.

Shipments of stocker and feeder cattle during May were smaller than in the preceding month, but were much larger than in May 1935. Early in the month, the excellent condition of ranges and pastures resulted in a strong demand for lightweight cattle for grazing purposes. During the month the condition of ranges and pastures in parts of the Ninth Federal Reserve District deteriorated rapidly because of hot dry winds and the lack of rainfall, sharply narrowing the demand for stockers and feeders. During the second and third weeks of June, receipts of cattle suitable for grazing, stocking and feeding purposes increased rapidly, partly as a result of distress shipments from those portions of Montana, North Dakota, and South Dakota where pastures were already completely dried up, and partly from larger receipts of Canadian cattle.

Hog receipts at South St. Paul continued to decline seasonally during May but remained at a level nearly double that of May last year. Hog prices declined rather sharply during the first half of the month as both packing and shipping demand slackened when receipts at South St. Paul increased above the late April level. During the last half of May, however, receipts dropped rapidly and prices rose steadily as both packing and shipping interests again actively bid for the reduced supplies. Since the first of June, weekly receipts of hogs have been larger than during the last half of May, but receipts at the seven principal northwestern markets have declined, with the result that South St. Paul prices have increased despite the larger receipts. A seasonal increase in the number of packing sows has increased the daily average weight of hogs from 253 pounds late in May to 279 pounds on June 18. Early in June, the spread between South St. Paul and Chicago prices was narrowed to only 15 cents a hundredweight. The unusually high prices at South St. Paul, when compared with other markets, resulted in the transfer of some shipping orders to other markets.

Sheep and lamb receipts at South St. Paul during May continued to decrease for the fourth successive month and were little more than half as large as in May last year. Prices also declined, partly because of weakness in the dressed wholesale trade and partly because of well sustained receipts at the other principal midwestern markets. During the first two weeks of June, South St. Paul sheep and lamb receipts continued only half as large as in the corresponding weeks last year, and receipts at the other midwestern markets declined, resulting in some price improvement. In the third week of June, however, total receipts at midwestern markets were larger than in the same week last year and prices again dropped to the early April level.



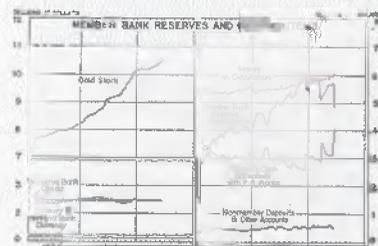
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to May, 1936.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to May, 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 June 20, 1936.



Wednesday figures. January 31, 1934, to June 17, 1936.

Summary of National Business Conditions

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

The volume of industrial production, which had increased sharply in April, was maintained in May, and there was an increase in distribution of commodities to consumers.

PRODUCTION AND EMPLOYMENT: The Board's seasonally adjusted index of industrial production in May was 101 per cent of the 1923-1925 average, as compared with 100 per cent in April. Production of durable manufactures increased further, reflecting larger output of steel and lumber, partly offset in the total by a reduction in the output of automobiles from the high level of April. At steel mills the rate of activity in May was higher than at any other time since the spring of 1930. This level has been maintained in June, reflecting, in part, some accumulation of steel by fabricators in advance of the effective date of recently announced price increases. Declines in production were reported for many non-durable manufactures; at woolen mills, however, activity increased. Output of bituminous coal declined from April to May, while output of crude petroleum continued in large volume. Factory employment increased slightly between the middle of April and the middle of May, contrary to the usual seasonal tendency. Increases were reported at plants producing iron and steel products, machinery, and most other durable manufactures. Changes in employment in industries producing non-durable manufactures were largely of a seasonal nature. Factory payrolls were somewhat larger in the middle of May than a month earlier.

Total value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, declined slightly from April to May. Awards for residential building continued to increase and in May, as in other months this year, were substantially larger than a year ago when residential building was first beginning to increase from the extreme low level of the depression.

DISTRIBUTION: Department store sales, which usually decline at this season, increased from April to May and there was also a rise in sales at variety stores and mail order houses. Freight carloadings increased by slightly more than the usual seasonal amount.

COMMODITY PRICES: Wholesale prices of commodities, which had declined from the middle of April to the middle of May, have advanced somewhat since that time and in the week ending June 20 were at 78.7 per cent of the 1926 average, according to the index of the Bureau of Labor Statistics. In recent weeks prices of livestock and livestock products, grains and flour, and textile raw materials and finished products have advanced. For many steel products price increases have been announced to take effect early in the third quarter.

BANK CREDIT: Excess reserves of member banks, after a slow increase in May and the early part of June, declined by \$900,000,000 in the week ending June 17. The reduction in excess reserves was due principally to an increase in the deposits maintained at the Reserve banks by the Treasury, which received large payments for new securities issued, as well as quarterly tax instalments. At that time the Treasury began to distribute checks and adjusted service bonds to veterans and there was an increase in the demand for currency in connection with the cashing of these bonds and checks.

United States government obligations held by reporting member banks in leading cities, which had increased somewhat in May and early June, showed a further sharp increase in the week ending June 17 in connection with the new issue of government securities. Bank loans also increased.