

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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September 28, 1937

August business volume equalled that of July. Iron ore shipments and gold production set new all-time records. Bank deposits and loans and investments increased seasonally. Retail trade was nearly as large as August last year. Heavy grain marketings and higher livestock prices raised farmers' cash income well above August 1936. Corn and potato prospects improved during the month.

DISTRICT SUMMARY OF BUSINESS

The volume of business in August was about as large as in the preceding month and in August last year. The country check clearings index was the highest on record and the index of bank debits at farming centers was as large as in any month since 1931.

Northwestern Business Indexes (Varying base periods)

	Aug. 1937	July 1937	Aug. 1936	Aug. 1935
Bank debits—94 cities.....	87	87	86	73
Bank debits—farming centers..	90	88	90	71
Country check clearings.....	156	149	155	127
Department store sales.....	86	89	86	80
Country lumber sales.....	89	88	85	82
Miscellaneous carloadings	84	87	85	69
L. C. L. carloadings.....	65	65	65	60

Bank debits in most of the sections of the District were higher than in August last year. The largest increase was in the wheat and mixed farming section where the volume of early marketings of 1937 crops exceeded that of August 1936. Carloadings of ore, grain, coke and forest products were all larger in August than in the same month last year and miscellaneous and LCL carloadings were about equal to the August 1936 volume. Total carloadings were 11 per cent larger than in August last year.

Building permits at most of the 18 reporting cities in the District were larger in August than in the same month last year, both in number and in valuation. The increases were not great, however, and the large decrease at Minneapolis resulted in a decrease for the 18 city total. Residential contracts awarded as reported by the F. W. Dodge Corporation showed an increase of 15 per cent but total contracts awarded in this area were somewhat smaller than in August last year.

Retail trade at city department stores during August very slightly exceeded that of August last

year but at country stores was somewhat smaller. However, retail sales at country stores during the first 8 months of 1937 continued to show a greater increase over sales during the same period in 1936 than city department store sales. The mountain section of Montana was the only section in the entire District to show a larger volume of sales in August this year than in August a year ago.

Retail Trade

	No. of Stores	% Aug., 1937 of Aug. 1936	% 1937 of 1936
Mpls., St. Paul, Duluth-Superior..	21	100	106
Country Stores	447	96	108
Minnesota—Central	31	96	110
Minnesota—Northeastern	16	98	112
Minnesota—Red River Valley...	9	96	112
Minnesota—South Central	32	99	117
Minnesota—Southeastern	19	100	112
Minnesota—Southwestern	43	94	109
Montana—Mountain	13	109	106
Montana—Plains	38	94	104
North Dakota—North Central..	15	94	111
North Dakota—Northwestern ..	13	92	118
North Dakota—Red River Valley	25	93	106
North Dakota—Southeastern ...	28	89	105
North Dakota—Southwestern ..	6	76	97
South Dakota—Southeastern ...	16	94	102
South Dakota—Other Eastern..	55	85	102
South Dakota—Western.....	9	99	96
Northern Wisconsin and Michigan	39	99	114
West Central Wisconsin.....	40	97	111

Retail sales at 472 country lumber yards were larger in August this year than in the same month a year earlier. Stocks of lumber and accounts receivable at these yards were both considerably larger at the end of August this year than at the end of August 1936.

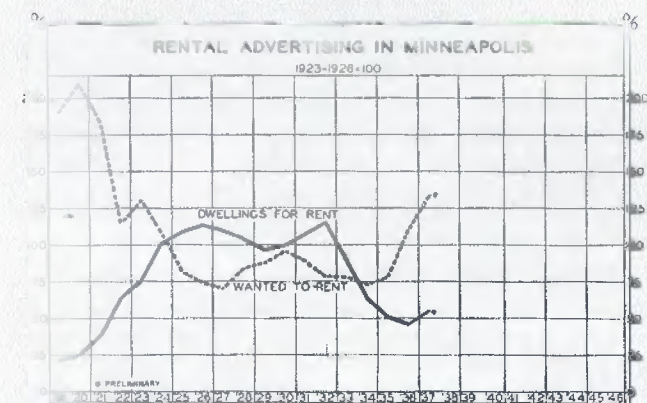
Mining activity in the District during August continued great. Iron ore shipments approximated 11 million tons and were the largest on record. Copper production was larger than in any August since 1929. The production of gold during August was the largest in any month and silver production larger than in any August in our 14 year records. There was a small reduction in the number of employees during August.

Other indicators of business volume showing increases over August of last year were electric power consumption, warranty deeds recorded in Hennepin and Ramsey Counties, butter production and wholesale sales of hardware and shoes. There were decreases in the number of mortgages recorded in

Hennepin and Ramsey Counties, flour production, linseed and flour shipments from Minneapolis and the receipts of all classes of livestock at South St. Paul.

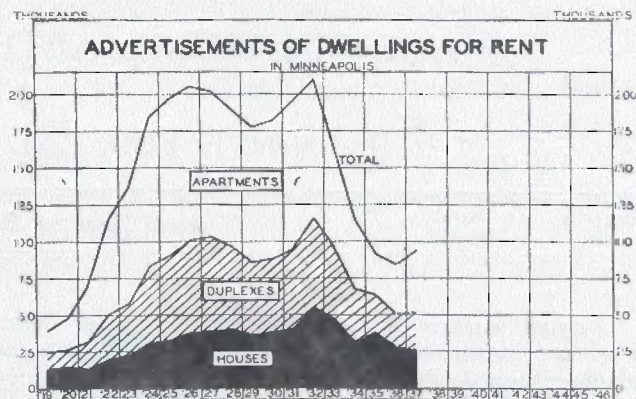
Business failures as reported by Dun and Bradstreet were smaller in both number and liabilities than last year. The number of non-farm real estate foreclosures in the four complete states of the District in July as reported by the Federal Home Loan Bank Board was 11 per cent larger than in July 1936.

The current housing situation in Minneapolis differs from that of the two preceding years according to our indexes of advertisements of dwellings-wanted-to-rent and dwellings-for-rent presented in the two curves on the accompanying "Rental Advertising in Minneapolis" chart. After declining each year from 1931 to 1934, the wanted-to-rent index rose slightly in 1935 and sharply in 1936. A further rise in 1937 is indicated by data for the first eight months. The dwellings-for-rent index, largely because of depression-forced doubling-up of families, continued to rise in 1931 and 1932 while the wanted-to-rent index was declining most rapidly, but fell sharply in the succeeding years. In recent months there has been a slight increase in the number of dwellings-for-rent advertisements, partly because of their greater effectiveness during periods when renters are actively seeking new locations and partly because of the large number of changes that usually accompanies increases in rental rates. As the chart indicates, movements of the two curves are generally in opposite directions, although they were parallel in 7 of the 18 years. Changes of direction in the wanted-to-rent curve tend to foretell similar directional changes in the dwellings-for-rent curve by preceding the latter about 2 years.



Annual Indexes of "Dwellings Wanted" and "Dwellings for Rent" advertisements in Minneapolis newspapers.

The chart "Advertisements of Dwellings for Rent" shows the number of advertisements for each class of dwelling. The number of advertisements for the year to date indicates a small decrease in the number of houses offered, a very slight increase in the number of available duplexes and a substantial increase in the number of apartments for rent.



Number of "Dwellings for Rent" advertisements by classes in Minneapolis newspapers.

DISTRICT SUMMARY OF BANKING

City Member Banks. Demand deposits at weekly reporting member banks increased \$19 million in the four week period ended September 15. Loans to customers continued to rise and were \$5 million larger than four weeks earlier. Investments in government securities increased \$4 million, cash and due from banks increased \$12 million and other assets decreased \$2 million. On September 15, deposits were \$3 million larger than one year earlier, reserve balances with this Federal Reserve Bank were up \$15 million and balances due from other banks decreased by the same amount. Loans to customers were \$15 million larger than a year ago and investments about \$13 million smaller resulting in a small increase in earning assets.

Country Member Banks. Between the last half of July and the last half of August gross demand deposits at country banks increased \$2 million and time deposits increased by a like amount. Reserves with this Federal Reserve Bank were unchanged but balances due from other banks increased \$3 million. Between the last half of August this year and the same period a year ago, gross demand deposits decreased slightly and time deposits increased \$10 million. There was an increase of about \$23 million in the earning assets necessitating reductions of \$11 million in balances due from banks and \$3 million in reserves with this Federal Reserve bank.

Deposits at all commercial banks in the Ninth Federal Reserve District increased \$13 million between March 31 and June 30 according to call report abstracts. Loans increased \$16 million, investments decreased \$4 million and cash and due from banks decreased \$6 million. Borrowings increased from \$65 thousand to \$121 thousand.

During the four weeks ended September 15, bills discounted by this Federal Reserve bank for member banks and industrial loans both declined slightly. The discount rate for member banks was reduced to 1½ per cent for the first time at this bank on August 24. Federal Reserve notes in active circulation continued to increase from mid-August

to mid-September, as did member bank reserve balances.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Farmers' cash income from the sale of seven important products in August was the highest in seven years according to our estimates. The total this year was \$59 million compared to \$42 million in August last year. The increase was the result of the larger crop production as dairy product income was slightly smaller than in August 1936, and hog income was sharply reduced. Flax income was the only crop income estimate that was smaller than last year. These estimates do not include government payments.

Receipts from the sale of farm products and government payments during July as estimated by the USDA were 7 per cent less than in July last year. Income from crops was larger than last July but this was more than offset by the decrease in income from livestock and livestock products and a small decrease in government payments.

August prices of all grains were well below the August 1936 level, whereas prices of all classes of livestock, with the exception of ewes, were substantially higher than a year ago. Fat hens averaged 16 cents a pound during August, whereas the prices of eggs, milk and butter were all lower. The August 15 farm price of wool was 30 cents compared to 26¼ cents last August. The University of Minnesota index of farm prices decreased from 97 in July to 87 in August. The index was 97 in August 1936.

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul in August continued to be smaller than one year earlier. Receipts of cattle increased seasonally from July but the number of calves declined. Grain fed cattle were very scarce and in great demand. Prime heavy butcher steers reached a top of \$17.50 on September 16, the highest price since the World War. The quality of range cattle received in August was better than a year ago and most animals weighing over 950 pounds went to slaughter buyers. Demand was broad for slaughter cattle throughout the entire month and all prices continued to rise. During the first two weeks of September, western stock arrived in larger numbers, but only about 50 per cent were of slaughter quality. The spread between prime and ordinary butcher steer prices continued to broaden and at mid-September was wider than at any other time in our 12-year records.

Shipments of stocker and feeder cattle increased seasonally from July to August but remained smaller than a year ago. Total shipments of feeder cattle and calves for the first eight months of 1937 were only 74 per cent of shipments in the same period in 1936. The quality of feeder cattle was higher

than a year earlier with the result that slaughter buyers actively competed with feeder buyers. During the early part of the month heavy feeder steer prices rose to \$10.50, the highest since June 1930 but in the latter part of the month declined a little. During the first two weeks of September, demand remained broad among local buyers with country demand narrow. However, prices remained fairly firm as a result of the continued two-way demand. The feeder steer "top" was \$10.10 at mid-September.

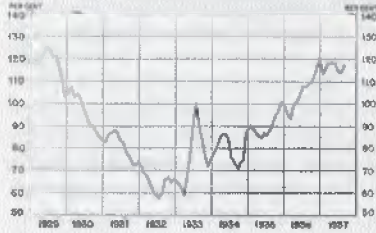
Dairy cow prices during August and the first part of September remained firm. Trade was steady to active and demand for medium to good cows was broad, but poorer grades brought little more than slaughter prices. The bulk of the cows brought \$60-\$85, the range being \$40-\$85.

Hog receipts at South St. Paul during August were only 84 per cent of July receipts and were less than half as large as in August 1936. The early marketing of the 1936 fall pig crop and the holding-over of sows for fall farrowing left very few hogs available for marketing. Early in the month prices rose to \$13.25 the highest since 1928 but during the last half of the month hog prices experienced the sharpest break in many years and dropped back to the level of June. A decrease in demand for dressed pork and a drop in the dressing percentage from a normal of 75-76 per cent to 70-72 per cent were offered as reasons for the price decline. During the first half of September, receipts continued to be small and prices strengthened somewhat. The mid-September "top" was \$11.80.

Receipts of sheep and lambs in August trebled the July volume as a result of western lamb marketings but were about 18 per cent smaller than in August last year. Sheep receipts for the first eight months of 1937 were 5 per cent larger than for the same period a year ago. Both packer and feeder demand was broad throughout August and prices held steady. During the first two weeks of September, receipts continued large but an active, dressed lamb market, together with strong competition from packers and shippers, held prices steady. The "top" for fat lambs at mid-September was \$11.25.

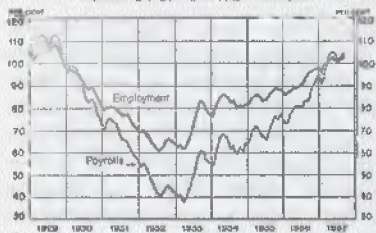
Farmers' cash income from the 1937 wool clip is estimated to be larger than in any year since 1929 as a result of the return of wool prices to pre-depression levels. The 1937 wool production, a little more than 50 million pounds, was the smallest since 1929, but the average price during the wool marketing season was higher than the average during that period in any year since 1929. According to the USDA report, "wool prices in the domestic market probably will remain near present levels during the remainder of 1937. While mill consumption of wool in this country has declined from the high rate of the first quarter of 1937, supplies in the United States and foreign countries are still below average and demand continues relatively favorable."

INDUSTRIAL PRODUCTION



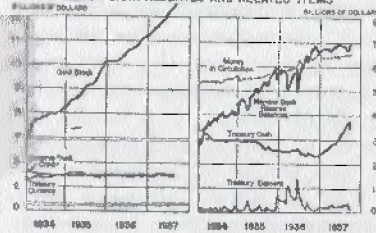
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to August 1937.

FACTORY EMPLOYMENT AND PAYROLLS



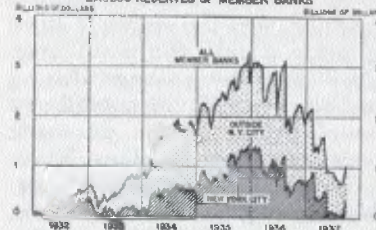
Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to August 1937. Indexes compiled by the United States Bureau of Labor Statistics.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, January 3, 1934 to September 22, 1937.

EXCESS RESERVES OF MEMBER BANKS



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932 to September 22, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 27, 1937

In August industrial activity advanced from the level of the two preceding months and on a seasonally adjusted basis was close to the volume of last spring. Early reports for September indicate a decline in steel output and a seasonal decrease in the production of automobiles.

PRODUCTION AND EMPLOYMENT: The volume of industrial production, as measured by the Board's seasonally adjusted index, was 117 per cent of the 1923-1925 average in August as compared with a level of 114 per cent in June and July and 118 per cent during the spring. Steel production rose slightly further and was close to the high level prevailing before strikes curtailed output in June. Automobile production was maintained in considerably larger volume than is usual in the month preceding the shift to new model production. Lumber output declined, following a period of increase. In the non-durable goods industries output increased in August, reflecting chiefly increases at cotton and woolen textile mills, following considerable declines in the preceding month. Activity at meat packing establishments increased somewhat from an extremely low level. Shoe production showed less than the usual seasonal rise. At mines, output of coal increased less than seasonally, while crude petroleum production continued to expand.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined somewhat in August and the first half of September. Awards for private residential building showed little change and were in about the same volume as in the corresponding period of 1936, while publicly-financed residential building declined and was in considerably smaller volume than last year.

Factory employment, which had increased in July, showed less than a seasonal rise in August. Factory payrolls increased by about the usual seasonal amount. The number employed at steel mills increased somewhat further, while at automobile factories, railroad repair shops, and sawmills employment declined. In the textile industries employment in the production of fabrics decreased somewhat, while employment in the production of wearing apparel increased. Changes in employment in most other manufacturing industries were small.

AGRICULTURE: Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates a month earlier, except for an increase in cotton and a decrease in corn. Output of leading crops is substantially larger than last season. Supplies of livestock and meats are expected by the Department of Agriculture to continue smaller than last year.

DISTRIBUTION: Mail order sales and sales at department stores showed somewhat less than the usual seasonal increase from July to August. Freight carloadings continued at the level of the previous month.

COMMODITY PRICES: Cotton prices declined considerably further from the middle of August to the third week of September and there were smaller decreases in cotton goods, silk, hides, steel scrap, copper scrap and lumber. Prices of livestock and livestock products, after some decline in the latter part of August and the first week of September, advanced sharply in the middle of September.

BANK CREDIT: Excess reserves of member banks increased in the five-week period ended September 22 from \$800 million to \$1,000 million as the result of a release of gold by the Treasury from its inactive account. The bulk of the increase in excess reserves went to New York City banks and on September 22 these banks had excess reserves of \$350 million, Chicago banks had \$50 million and banks elsewhere \$600 million.

Commercial loans at reporting member banks in 101 leading cities, reflecting in part seasonal demand, continued to increase substantially during the four weeks ended September 15, both in New York City and outside. Holdings of United States government obligations and of other securities showed a further decrease, with the result that total loans and investments declined somewhat.

MONEY RATES: Rates on 9-month Treasury bills declined from 0.71 per cent early in September to 0.44 per cent later in the month, and average yields on long-term Treasury notes declined from about 1 3/8 per cent to below 1 1/2 per cent.