

MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank, Minneapolis, Minn.

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Farm income in the District from seven sources was \$24 million (65 per cent) ahead of September a year ago. Trade recovered from the August slump with large increases occurring in good crop areas. Manufacturing volume was ahead of last year. Commercial deposits increased seasonally.

BUSINESS

At the end of September this bank wrote letters to a number of representative manufacturers in the Northwest to secure a cross-section of business conditions. One hundred and fifty-three firms replied, and their answers to significant questions are summarized in the table below. The general conclusions from these replies are as follows:

Output and sales were larger than a year ago at the majority of firms.

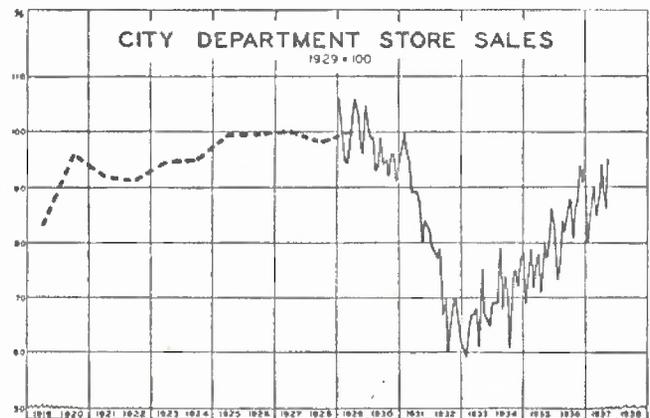
Cancellations of orders by customers were smaller than last year at most firms.

Inventories of both raw materials and finished goods were larger than last year at most firms.

A sharp contrast in trends was apparent between durable goods industries and non-durable goods industries in new orders and unfilled orders. More durable goods manufacturers reported decreases in new orders and unfilled orders than the number which reported increases. On the other hand, a majority

Under Section 13b of the Federal Reserve Act, industrial loans were made by this bank to 11 concerns, totalling \$95,000, in the first nine months of 1937. We shall be glad to receive industrial loan applications from any businesses whose loans would fall within the requirements of the Act.

of the non-durable goods producers reported new orders and unfilled orders equal to or ahead of last year.



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

September 1937 compared to September 1936.

Industries	Output			Sales			New Orders			Unfilled Orders			Cancellations			Inventories								
																Raw Materials			Finished Goods					
	Increase	No Change	Decrease	Increase	No Change	Decrease	Increase	No Change	Decrease	Increase	No Change	Decrease	Increase	No Change	Decrease	Increase	No Change	Decrease	Increase	No Change	Decrease			
Durable Goods																								
Machinery and Plant Equipment.....	18	2	7	17	5	6	9	3	10	11	5	8	0	6	10	20	4	3	20	3	3			
Iron and Steel.....	12	1	6	13	1	5	4	6	6	5	4	8	1	3	5	12	4	2	10	4	3			
Building and Construction.....	11	5	2	13	3	2	5	5	7	3	7	5	0	3	4	11	4	3	10	4	3			
TOTAL	41	8	15	43	9	13	18	14	23	19	16	21	1	12	19	43	12	8	40	11	9			
Non-Durable Goods																								
Food and Beverage.....	19	1	4	19	1	4	10	2	1	2	5	3	0	2	8	8	10	4	7	8	2			
Printing, Paper and Advertising....	10	1	2	10	1	3	4	1	3	4	2	3	0	3	5	7	1	3	7	1	3			
Apparel and Textiles.....	9	0	4	9	1	3	6	0	5	2	0	6	3	4	2	9	3	2	9	2	2			
Furniture and Household.....	6	2	1	7	1	1	5	1	0	2	3	1	0	1	0	5	3	0	4	3	1			
Milling and Grain Products.....	9	0	6	3	1	2	2	0	1	4	0	0	0	1	1	3	1	2	2	1	2			
Miscellaneous.....	9	5	4	13	2	7	3	5	1	2	5	1	1	2	6	7	8	2	4	10	2			
TOTAL	53	9	21	61	7	20	30	9	11	16	15	14	4	13	24	39	25	13	33	25	12			
GRAND TOTAL	94	17	36	104	16	33	48	23	34	35	31	35	5	25	43	82	37	21	73	36	21			
No. of Firms Reporting.....	147			153			105			101			73			140						130		

The seasonally corrected indexes of retail trade recovered in September from their August slump. The department store sales index rose from 86 in August to 95 in September. The index of rural retail trade rose from 82 to 90 and the country lumber sales index rose from 89 to 100. On the other hand, the bank debits indexes declined. The carloadings indexes showed only minor changes.

The majority of business indicators were higher in September than in the corresponding month last year. Daily average bank debits were 15 per cent higher; country check clearings were 11 per cent higher; and freight carloadings were 16 per cent higher. Building contracts and permits were larger than in September last year, the latter chiefly due to a large sewer permit in St. Paul. Other increases over last year occurred in electric power consumption, warranty deeds recorded in Hennepin and Ramsey counties, flour and linseed shipments, flour production, butter production, grain marketings, country lumber sales, life insurance sales, and wholesale trade. Livestock marketing was smaller than a year ago.

Northwestern Business Indexes

(Varying base periods)

	Sept. 1937	Aug. 1937	Sept. 1936	Sept. 1935
Bank debits—94 cities.....	78	87	68	70
Bank debits—farming centers..	88	90	84	75
Country check clearings.....	153	156	137	129
Department store sales.....	95	86	88	77
Rural department store sales...	90	82	84	75
Country lumber sales.....	100	89	101	77
Miscellaneous carloadings	86	84	83	73
LCL carloadings	64	65	60	60

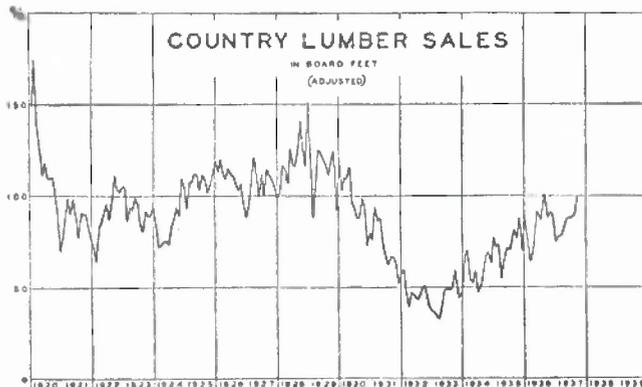
Mining activity in the district continued to be larger than a year ago. Ore carloadings were 28 per

cent above the total for September a year ago and copper output was 7 per cent ahead of September a year ago.

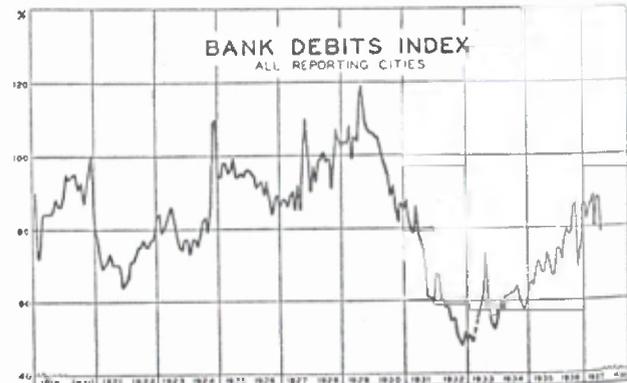
Sales at department stores and general stores in the District were larger in September than a year ago. City department stores reported an 8 per cent increase and four hundred and eight rural stores reported an increase of 7 per cent. The influence of the crop outturn was clearly apparent in retail trade reports from the different subdivisions of the district. Poor crops in eastern Montana and the western Dakotas were reflected in small decreases in sales. On the other hand, the excellent crop in north central North Dakota and the Red River Valley caused increases of 26 per cent and 23 per cent, respectively, over sales in September a year ago.

Sales at Department Stores

	No. of Stores	% Sept. 1937 of Sept. 1936	% Jan.-Sept. 1937 of Jan.-Sept. 1936
Mpls., St. Paul, Duluth-Superior..	20	108	106
Country Stores	408	107	106
Minnesota—Central	31	107	110
Minnesota—Northeastern	15	107	110
Minnesota—South Central	29	109	106
Minnesota—Southeastern	21	114	113
Minnesota—Southwestern	35	104	104
Montana—Mountain	13	107	105
Montana—Plains	33	96	102
North Dakota—North Central..	16	126	108
North Dakota—Northwestern ..	13	115	110
North Dakota—Southeastern ...	27	105	103
North Dakota—Southwestern ..	5	99	97
Minn. & N. D.—Red River Val..	33	123	107
South Dakota—Southeastern ...	13	105	101
South Dakota—Other Eastern..	47	103	101
South Dakota—Western	8	95	97
Northern Wisconsin and Michigan	35	105	108
West Central Wisconsin.....	34	105	108



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



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

BANKING

Country member bank deposits increased slightly between the last half of August and the last half of September. The increase was chiefly in North Dakota and Montana where the marketing of the small grain crop usually causes a seasonal upturn at this time of year. Deposits in rural Minnesota declined slightly during the month. The increase in rural deposits was accompanied by an equal increase in balances due from banks, and earning assets at these banks remained unchanged.

At city member banks in the district, total deposits remained stationary during the four weeks ending October 13, thus concealing divergent trends in various classes of deposits. Commercial deposits increased \$6 million during the four weeks as is customary during the autumn, while municipal deposits decreased \$7 million as is usual before the October real estate tax date. Loans to customers at these banks increased \$8 million during the four weeks, while government security holdings decreased \$7 million.

AGRICULTURE

Farm Income and Prices

Our estimate of farmers' cash income in the Ninth District from seven principal items for September was 65 per cent larger than for the same month a year ago. Income from wheat, rye and flax was substantially larger while income from potatoes, hogs and dairy products was smaller than September last year. These estimates do not include government payments.

The USDA estimate of farmers' receipts from the sale of farm products and government payments during August was slightly larger than August 1936 and was larger than any August since 1930.

Prices of all the grains were lower than last year in contrast to livestock prices which were all above a year ago. Heavy hens averaged 17 cents during September compared with 13 cents last year. Eggs remained lower than during September last year. Butter increased to the same level as a year ago. Wool averaged 30 cents and was about 4½ cents a pound higher than last September.

The farm price index of the University of Minnesota for September remained at 87 per cent of the 1924-26 average. The index was 99 in September 1936.

Livestock and Livestock Products

Livestock receipts at South St. Paul in September increased seasonally from August but were smaller than in September last year. Total receipts of cattle and calves were 6 per cent smaller. Hog receipts were about half the volume of September 1936 and sheep receipts were 25 per cent less. Approximately 24,000 head of Canadian cattle were received dur-

ing the five-week period ended October 14 even though the quota of imports at reduced rates had been filled in August.

Shipments of stocker and feeder cattle were 7 per cent larger than last September. According to an October USDA report the number of cattle to be fed for market during the coming winter and spring is expected to be materially larger than for the same time a year earlier. Due to increased feeder cattle prices the estimated cost of a finished feeder steer bought in September and sold five months hence will be approximately 12 per cent higher than for the same period last year.

Livestock prices decreased somewhat from the August level, but nevertheless were considerably above September 1936. The median price of fed butcher steers was \$15.75, a drop of nearly a dollar from the August level. Other classes of cattle held about steady. Dairy cows sold from \$35-\$85 per head, the bulk of sales falling between \$55-\$80. Hog prices declined slightly, the median price for September being \$11.30. The median lamb price of \$10.25 was unchanged from August and ewes advanced from \$3.00 per hundred in August to \$3.50 in September.

Poultry flocks were somewhat smaller than normal, reflected by the higher prices for poultry products this fall than prevailed a year earlier. The feed situation was much more favorable than a year earlier, and according to a report by the USDA this will probably be a large factor in increasing the size of the flocks next spring. 1937 turkey production was estimated at 10 per cent less than in 1936, with prices higher than a year ago.

Cold Storage Holdings

Cold storage holdings of all classes of meat decreased during September in spite of larger than average slaughterings during the month and on October 1 were all substantially below the 5-year average. Cream and butter holdings were smaller than usual but cheese was about 7 per cent above the 5-year average. Poultry and egg holdings were above average for October 1.

United States Cold Storage Holdings

(Thousands of Pounds)

	Oct. 1, 1937	Oct. 1, 1936	Oct. 1, 5 yr av.
Beef	38,816	82,806	60,143
Pork	283,287	361,608	458,425
Lamb and Mutton	1,911	3,374	2,204
Miscellaneous Meats	44,073	75,237	66,832
Total Meats	368,087	523,025	587,604
Lard	72,535	101,796	107,583
Cream*	160	194	214
Butter	118,916	110,061	129,381
Cheese	117,765	114,990	110,368
Eggs**	11,290	8,579	8,968
Poultry	61,709	82,096	52,788

*Thousand cans
**Thousand cases

National Summary of Business Conditions

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

Declines in industrial production in September and the first part of October reduced output to the level of a year ago, and commodity prices continued to decline. The volume of distribution to consumers was maintained at the level of previous months.

PRODUCTION AND EMPLOYMENT: Volume of industrial production, as measured by the Board's seasonally adjusted index, declined in September to 111 per cent of the 1923-1925 average as compared with 114 in June and July and 117 in August. At steel mills, where output in August had been at a high level, partly on the basis of orders placed earlier in the year, activity was reduced to an average rate of 75 per cent of capacity in September. This decline continued in October, as new orders were in limited volume, and the rate of steel output in the fourth week of the month is estimated at about 52 per cent of capacity. There were also declines in September in activity at woolen mills, shoe factories, and at sugar refineries, and activity at cotton mills showed little change, although an increase is usual at this season. Increases in output were reported at silk mills and meat packing establishments where activity recently has been at a low level. Automobile production showed a decline from the high level of August, but in the first three weeks of October advanced sharply as most manufacturers began assembling 1938 models.

Mineral output increased in September, reflecting an expansion in coal production. Output of crude petroleum declined somewhat but continued in large volume.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in September and the first half of October than in the preceding six weeks, with a moderate decline in private residential building and sharp declines in awards for other private work and for publicly-financed work. Currently the dollar volume of private work is about the same as a year ago, while awards for public work are in smaller volume.

Factory employment showed little change from August to September, although an increase is usual at this season. There were declines in the number employed at textile mills, shoe factories, railroad repair shops, and lumber mills. At canning establishments employment increased seasonally. Factory payrolls, which usually expand in September, declined substantially, reflecting principally a reduction in the average number of hours worked by those employed. The levels of employment and payrolls continued to be considerably above last year.

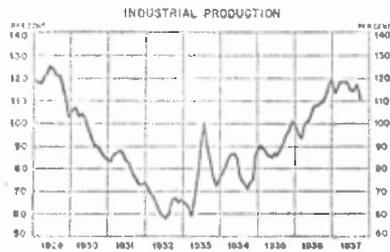
DISTRIBUTION: Distribution of commodities to consumers by department stores and mail order houses increased more than seasonally in September, and variety store sales showed about the usual seasonal expansion. Freight carloadings increased by the usual seasonal amount from August to September.

COMMODITY PRICES: The general level of wholesale commodity prices, according to the Bureau of Labor Statistics index, declined from 87.5 per cent of the 1926 average in the latter part of September to 85.2 in the middle of October. During that period price declines occurred in most commodities traded in on organized exchanges and in some manufactured products. In the ten days ending October 25 commodity markets were steadier. New models of automobiles are currently being introduced at higher prices.

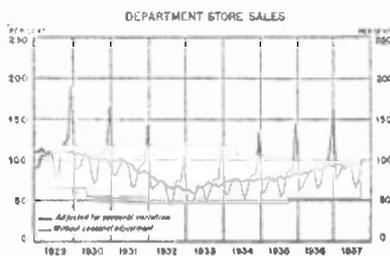
BANK CREDIT: Excess reserves of member banks, after increasing in September from \$750 million to over \$1,000 million showed little further change in October.

Total loans and investments of reporting member banks in 101 leading cities declined somewhat in the four weeks ending October 20, reflecting chiefly a steady reduction throughout the period in loans to security brokers and dealers. Commercial loans increased further.

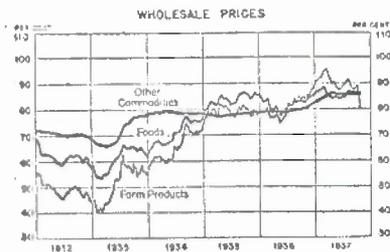
MONEY RATES AND SECURITY PRICES: Rates on 9-month Treasury Bills in October declined to about $\frac{3}{8}$ of one per cent, the lowest since last January. Prices of high-grade bonds showed little change in September and October, while prices of lower-grade bonds and of common stocks declined sharply to the lowest levels since the middle of 1935.



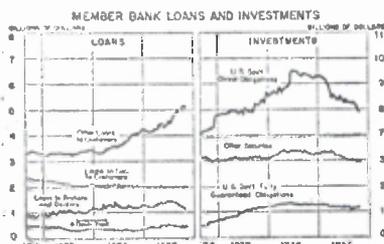
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to September 1937.



Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to September 1937.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ended October 16, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to October 20, 1937. Loans on real estate and loans to banks excluded.