

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
NINTH FEDERAL RESERVE DISTRICT

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Bank debits in the district continued at high levels during October but trade volume decreased. Bank loans showed some increase despite decreases in deposits. Livestock prices remained relatively high. Grain prices did not recover from their late summer drop, resulting in lower farm income.

BUSINESS

The volume of business in October was slightly larger than in October last year, but a little below the volume of other recent months. As was to be expected, the bank debits indexes were somewhat higher than a year ago because of transactions in connection with the marketing of the much larger grain crop. The larger grain income, however, did not fully offset the decline in income from livestock sales and our indexes of trade and commerce were all lower than in October 1936.

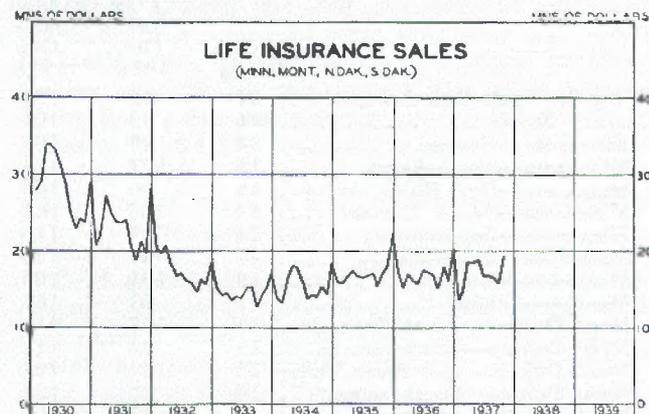
In order that our index figures may be of greatest use to our readers, a uniform base period, 1929 to 1931 inclusive, has been selected for the various series. For the benefit of those who have been charting or maintaining some other record of our index figures each month, mimeographed tables of each series of the revised figures have been prepared. If you wish copies of these tables, please address a request to the Research and Statistical Department, Federal Reserve Bank, Minneapolis, specifying the tables wanted. They will be mailed to you promptly, without charge.

Northwestern Business Indexes (1929-31 = 100)

	Oct. 1937	Sept. 1937	Oct. 1936	Oct. 1935
Bank debits—94 cities.....	86	86	81	73
Bank debits—farming centers..	96	95	91	81
Country check clearings.....	151	158	146	129
Department store sales.....	98	101	100	85
Country lumber sales.....	101	108	106	96
Miscellaneous carloadings	87	92	95	85
LCL carloadings	68	68	67	63

Bank debits in all sections of the district as well as in the district as a whole were larger than in October last year with the exception of the principal livestock marketing center, South St. Paul, and the southeastern beef and pork raising section. The largest increases were reported from towns and cities in the western wheat farming areas. Carloadings of most commodities reflected the usual seasonal trends but were all smaller than one year earlier with the exception of grain and grain products. Electric power consumption in the district was well above

the October 1936 volume with the exception of Montana where there was a reduction of 23 per cent, partly the result of decreased activity at the Fort Peck Dam. Marketings of grain, production of flour and shipments of flour and linseed products were all substantially greater than in October 1936. Life insurance sales were larger than in any October since 1931, and larger than in any month since March 1932 with the exception of the end-of-the-year highs in 1935 and 1936.



Life Insurance Sales by months, 1930-1937. Last figure, October 1937—\$19,395,000.

Retail trade at both city and country department stores in October was a little below the level of October last year and merchandise stocks at reporting city stores continued to be about 10 per cent larger. Cumulative sales during the first ten months of 1937 were 5 and 6 per cent larger than in the same period last year at city and country stores respectively. Only five of the eighteen country sections of the district reported a larger volume of sales than in October last year, but most of the decreases were very small. Only four sections reported declines of more than 5 per cent.

Mining activity in the district continued at a relatively high level during October, but below the record-breaking volume of the last twelve months. The production of copper, silver and gold was smaller than in October of last year despite a larger number of employees. Iron ore shipments in October were smaller than in the same month in the preceding year for the first time in the current season.

Other indicators of business volume that were below the October 1936 level were the number and value of building permits and building contracts

awarded, mortgages and warranty deeds recorded in Hennepin and Ramsey counties, livestock receipts at South St. Paul, total sales at country lumber yards and sales of groceries and shoes at wholesale. Hardware sales by representative wholesalers in the Ninth District were a little larger and total sales of passenger cars and trucks in North Dakota were much larger than in October last year.

The number of business failures as reported by Dun & Bradstreet was slightly larger in October this year than in the same month last year but there was a very substantial reduction in liabilities. The number of non-farm real estate foreclosures in September as reported by the Federal Home Loan Bank Board was little more than half as large as in October a year ago.

Sales at Department Stores

	No. of Stores	% Oct. 1937	% Jan.-Oct. 1937 of Jan.-Oct. 1936
Mpls., St. Paul, Duluth-Superior..	21	98	105
Country Stores	476	97	106
Minnesota—Central	30	98	109
Minnesota—Northeastern	15	102	111
Minnesota—Red River Valley..	13	98	108
Minnesota—South Central	34	100	109
Minnesota—Southeastern	24	99	110
Minnesota—Southwestern	44	97	108
Montana—Mountain	19	101	105
Montana—Plains	43	91	101
North Dakota—North Central ..	17	107	110
North Dakota—Northwestern ..	15	96	112
North Dakota—Red River Valley	25	104	106
North Dakota—Southeastern ...	30	91	103
North Dakota—Southwestern ..	6	87	95
South Dakota—Southeastern ...	15	95	100
South Dakota—Other Eastern..	58	89	100
South Dakota—Western	8	102	97
Northern Wisconsin and Michigan	42	100	111
West Central Wisconsin.....	38	96	108

BANKING

Country member bank deposits decreased \$3 million between the last half of September and the last half of October. The decrease was met by reductions in balances due from correspondents and with us. Total earning assets were unchanged. Compared with the last half of October 1936, there was an \$11 million increase in earning assets but only a \$5 million increase in deposits, resulting in a \$6 million decrease in balances with other banks.

Total city member bank deposits dropped \$6 million during the five-week period ended November 17 despite an increase of that amount in public deposits. Commercial deposits decreased \$9 million and amounts due to other banks, \$3 million. There was some increase in loans to customers during the period but holdings of government securities decreased \$14 million resulting in a \$10 million decrease in earning assets. When compared with the middle of November 1936, loans to customers were \$23 million larger despite a decrease of \$24 million

in deposits. Holdings of government securities were down nearly \$30 million and holdings of all other stocks, bonds, etc. were \$4 million smaller at the middle of November than they were one year earlier. Balances due from other banks were drawn upon for the additional funds necessary to meet the loan and deposit withdrawal demand.

AGRICULTURE

Farm Income and Prices

Our estimate of Ninth District farmers' cash income from the sale of seven principal farm products in October was 6 per cent below that of October last year, largely because of much smaller hog marketings. Income from the sale of grains was larger as a result of greater marketings, but hog, potato and dairy product incomes were smaller than in the same month a year ago. These estimates do not include government payments.

The USDA estimates of farmers' cash receipts from the sale of crops, livestock and livestock products and government payments during September were larger for each state and part state in the district than in September 1936. The Ninth District total was 17 per cent larger than in September last year.

Prices of all grains were lower than a year ago with the exception of flax which was slightly higher than in October 1936, but prices of all classes of livestock showed increases over last year. Dairy product and fat hen prices were also higher than last year but egg prices were one-fifth lower and potatoes only half as large as in the same month a year ago.

The farm price index of the University of Minnesota for October was 81, twenty-six points below the 8-year high established last February and 15 points below October 1936. The index was 87 in August and September.

The poultry situation in October according to the USDA was marked by "(1) the continuance of the non-seasonal rise in farm chicken prices to a new high for the year, (2) the relatively heavy poultry marketings in the last half of the month, (3) the continued less-than-average seasonal advance in the farm egg prices, and (4) the institution of an egg purchasing program by the Agricultural Adjustment Administration." The same report states that the United States average farm price of turkeys on October 15 was 5 per cent above the October 1936 level, largely as a result of the smaller 1937 turkey crop.

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul during October failed to show the usual seasonal increase and were only slightly larger than the September volume. They were smaller than in any October since 1932 and were far below the October

volume last year. Reduced hide values and lack of demand contributed to the butcher cattle price-drops from the record-making September levels, but the low volume of receipts kept prices above October 1936. The prime heavy butcher steer price was \$14.50 compared to \$16.75 in September, and \$9.60 in October last year. The quality of receipts was higher in October than for some time, in spite of the scarcity of grain-fed cattle. During the first half of November, receipts continued small. Prices firmed slightly during the first ten days but broke sharply at mid-month. The "top" for choice finished steers dropped to \$14.50, the lowest level of the current marketing period, \$3.00 below the post-war high established the first week of September. Thanksgiving, lower prices for pork and other competing meats, and the continued weakness in hide values all contributed to the break in cattle prices.

Shipments of feeder cattle from South St. Paul were smaller than in September and 20 per cent less than in October last year. Stocker and feeder demand was influenced by the sharp break in slaughter cattle prices in mid-October and by the narrower spread in prices between feeders and finished cattle that has developed during the past two months. Prospective feeder purchasers were naturally conservative about making commitments until the slaughter market became more settled. The price for light stocker and feeder steers during October was \$7.00 compared to \$7.25 in September and \$5.25 last October.

During the first half of November, receipts of stocker and feeder cattle continued small as shipments from western ranges decreased. In view of the further drop in slaughter cattle prices, the market for feeder cattle was quite strong as buyers were anxious to finish filling their feed lots with Montana and western Dakota feeders. The average cost of feeder steers was \$6.93 during the week ended November 18 compared to \$6.69 one week earlier and \$5.29 in the same week last year.

The dairy cow market at South St. Paul became more active during October, and at times there was a scarcity of good quality cows. Both local and shipper demand were strong for the better grades, but there was very little demand for low quality cows, most of them going to slaughter buyers. The bulk of cows sold from \$85-\$65, the range for the month being \$85-\$40.

Hog receipts in October increased seasonally as the marketing of the spring pig crop got into full swing, but the volume was much below that of October a year ago. The quality was better than in any recent month. The average weight of 210 pounds compared to 198 pounds in October last year partially compensated for the smaller number of head received. Dressed pork price declines together with the seasonal increase in marketings caused hog prices to drop sharply during October. Shipper de-

mand continued poor throughout the month. The October price was \$10.10 compared to \$11.30 in September and \$9.10 October 1936. During the first 18 days of November, receipts continued large and dressed pork prices continued to decline resulting in further decreases in live hog values. The top on November 18 was \$7.85, the lowest since February 1935. However, corn prices have dropped even more precipitously than hog values and the corn-hog ratio still remains favorable for feeding operations.

Receipts of sheep and lambs at South St. Paul also increased seasonally during October but were only 66 per cent of the October 1936 volume, the smallest October receipts since 1927. A decline in the price of dressed lamb together with increased supplies and a dull demand for feeder lambs resulted in lower fat lamb prices. The October price was \$9.75 compared to \$10.25 in September and \$7.50 last year. During the first ten days of November the undertone remained weak and after mid-month, fat lamb prices dropped sharply. The top for choice grades was \$8.50, the lowest top since October 1936. Ewe prices were strong during the month, increasing to \$4.25, well above the \$2.50 level of October 1936. Supplies of slaughter ewes were very small during the first half of November, resulting in firm to stronger prices.

Cold storage holdings of pork increased sharply during October in spite of small hog slaughterings indicating a much smaller than usual October consumption which normally results in a decrease in pork holdings during that month. November 1 pork stocks, however, were smaller than the five year average for that date. Stocks of beef, lamb, mutton, miscellaneous meats, lard and poultry also increased sharply during October to levels well above the average for November 1 indicating a decrease in consumptive demand for all meat products. Butter stocks decreased less than normal but egg holdings declined by much more than the average amount. Cold storage stocks of eggs on November 1 were less than the 5-year average for the first time since last March.

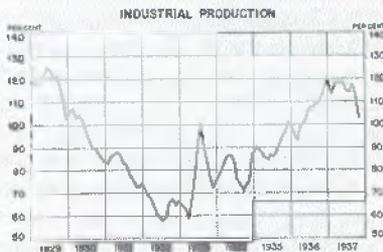
United States Cold Storage Holdings

(Thousands of Pounds)

	Nov. 1, 1937	Nov. 1, 1936	Nov. 1, 5 yr. av.
Beef	104,961	43,862	74,818
Pork	354,950	265,957	405,441
Lamb and Mutton.....	5,930	2,369	3,291
Miscellaneous Meats	77,411	42,223	64,987
Total Meats	543,252	354,411	548,537
Lard	94,748	39,421	81,814
Cream*	216	118	207
Butter	106,428	98,735	112,788
Cheese	118,907	112,376	107,315
Eggs**	6,132	8,976	6,667
Poultry	104,981	76,179	69,212

*Thousand cans

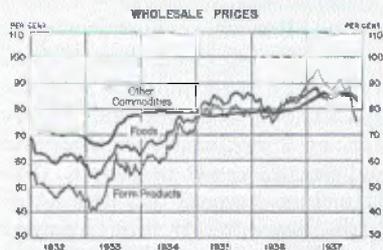
**Thousand cases



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



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to October 1937.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ended November 20, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to November 17, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 23, 1937

The volume of industrial production showed a further sharp decrease in October and the first three weeks of November, and there was a reduction in employment. Commodity prices continued to decline. Distribution of commodities to consumers was maintained at the level of other recent months.

PRODUCTION AND EMPLOYMENT: In October the Board's seasonally adjusted index of industrial production was 103 per cent of the 1923-1925 average, as compared with 111 per cent in September and an average of 116 per cent in the first eight months of this year. There was a marked curtailment of activity in the durable goods industries. Output of steel ingots, which had shown a steady decline since August, was at an average rate of 59 per cent of capacity in October, and by the third week in November the rate had declined to 36 per cent. Automobile production increased considerably in October as most manufacturers began assembly of 1938 model cars. In the first three weeks of November output of automobiles showed little change from the level reached at the end of October, with assemblies by one leading manufacturer continuing in exceptionally small volume. Production of lumber and plate glass declined further in October. In the non-durable goods industries, where output had been declining since spring of this year, there was a further decrease in October. Cotton consumption showed a sharp reduction, and activity at woolen mills and shoe factories continued to decline. There was an increase in output at sugar refineries, where activity had been at a low level in September. In most other lines changes in output were largely seasonal. Mineral production continued at about the level reached at the close of 1936 and maintained throughout this year.

The value of construction contracts awarded in October and the first half of November was smaller than in the preceding six weeks, according to figures of the F. W. Dodge Corporation. The decline was chiefly in private non-residential construction.

Factory employment declined substantially in October and payrolls showed little change, although an increase is usual at this season. Declines in the number employed were reported by factories producing steel, machinery, lumber, and textiles, and in many smaller industries. There was a seasonal increase in employment at automobile factories. Employment and payrolls increased seasonally at mines and at establishments engaged in wholesale and retail trade.

DISTRIBUTION: Sales at department stores and mail order sales increased seasonally in October. Throughout the year, sales at department stores have been sustained, with seasonal fluctuations, and the Board's adjusted index of these sales has shown little change. Freight carloadings declined in October and the first half of November, reflecting smaller shipments of forest products, ore, and miscellaneous freight.

COMMODITY PRICES: Prices of industrial materials, particularly non-ferrous metals, steel scrap, rubber, and hides, declined further from the middle of October to the third week of November, and there were some decreases in the prices of finished industrial products. Livestock and meat prices declined substantially and coffee prices dropped sharply following the announcement by Brazil of modification of its control policy.

BANK CREDIT: During the first half of November the Federal Reserve banks purchased \$28,525,000 of United States Government securities, in accordance with the policy adopted in September to provide additional reserves for meeting seasonal currency and other requirements. From the middle of October to November 17, excess reserves of member banks increased from about \$1,000 million to \$1,100 million, reflecting the Federal Reserve security purchases and a considerable decline in required reserves at member banks in New York City, caused partly by a reduction in demand deposits arising from a liquidation of brokers' loans.

Loans to brokers and dealers reported by banks in leading cities declined by \$250 million during the four weeks ended November 17. Commercial loans, following a steady increase for several months, declined after the middle of October. Member banks in New York City increased their holdings of United States Government securities by over \$150 million while banks outside New York City showed a further reduction. Deposits continued to show moderate reductions.