

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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December 28, 1938

A general increase in business volume was evident in November. Country bank deposits increased. City bank deposits reached a two-year peak in mid-December. November hog income was the largest since December 1936. Farm prices strengthened slightly.

BUSINESS

The volume of business in this district, after remaining practically unchanged in the preceding three months, rose rather sharply in November as a result of increases in many different lines of business. All of our seasonally adjusted indexes were higher than in the preceding month. The index of carloadings of miscellaneous freight was the highest for November since 1929, with the exception of 1936, and was as high as in any month since April 1937. The LCL index was higher than in any other month this year and the city department store sales index was the highest for November since 1930.

Northwestern Business Indexes (1929-1931 = 100)

	Nov. 1938	Oct. 1938	Nov. 1937	Nov. 1936
Bank debits—94 cities	80	76	83	84
Bank debits—farming centers	91	90	89	93
Country check clearings	146	142	151	154
City department store sales	96	92	94	94
City department store stocks	80	79	84	80
Rural department store sales	93	91	94	91
Miscellaneous carloadings	93	81	91	106
LCL carloadings	66	63	69	68

Daily average bank debits increased in November in all sections of the district with the exception of the dairy and mixed farming section which was slightly below the October level. Largely as a result of much larger hog marketings, increases of 16 percent and 14 percent were recorded in bank debits at South St. Paul and in the southwestern beef and pork section of Minnesota and eastern South Dakota. Country check clearings in the district were also a little larger than in the preceding month despite a sharp decrease in Montana, and the averages for each state were almost as large as in November last year.

Building contracts awarded in November declined seasonally from the October volume but were more than one-quarter larger than in November last year. Residential contracts were nearly twice as large as in November 1937 and contracts for educational, social, recreational and other public buildings were all much larger than a year ago. Contracts for pub-

lic works were three-fourths larger than in November last year and public utilities contracts were in a somewhat larger volume. Building permits issued at 46 reporting cities in the district were half again as large as in November last year, largely as a result of an unusually large increase in new construction in St. Paul. Larger volumes than a year ago were reported by 21 cities, the greatest increases in addition to St. Paul being at Austin and Winona in Minnesota; Escanaba, Michigan; Malta, Montana; Fargo, North Dakota; and Eau Claire, Wisconsin. Mortgages accepted for insurance by FHA in the four complete states in the district in October were about as large as in the preceding month in both number and amount and were much larger than in October 1937.

Iron ore shipments in November decreased seasonally but were a little larger than in November last year. Total shipments for the 1938 season were 19 million tons, the smallest season total since 1900 with the exception of 1932 which in turn was the smallest since 1885. Copper and silver output in November was larger than in October as a result of increased mining operations in Montana but was smaller than in November last year. Gold production declined slightly from the year's high of the preceding month but was well above the volume of November last year. The number of employees at mines increased further during November and at the end of the month was the largest since January.

Department store sales in November were as large as in the same month in the preceding year for the first time since last August. City department store sales were slightly larger than in November last year and the country department store total was slightly smaller, but no large decline was reported by any district. The largest increase, 11 percent, was in the East River section of South Dakota (excluding the extreme southeastern corner of the state where there was a one percent decline). City department store stocks increased slightly more than seasonally in November but were 5 percent smaller than on the same date last year. Collections on accounts and notes increased seasonally in November and were larger than in any month since the annual peak in January. As a result, accounts and notes receivable decreased a little from the year's high reached October 31.

Business failures decreased in both number and amount in November and were smaller than in November last year. Non-farm real estate foreclosures

dropped sharply in November to the smallest monthly total in our records which begin with September 1935.

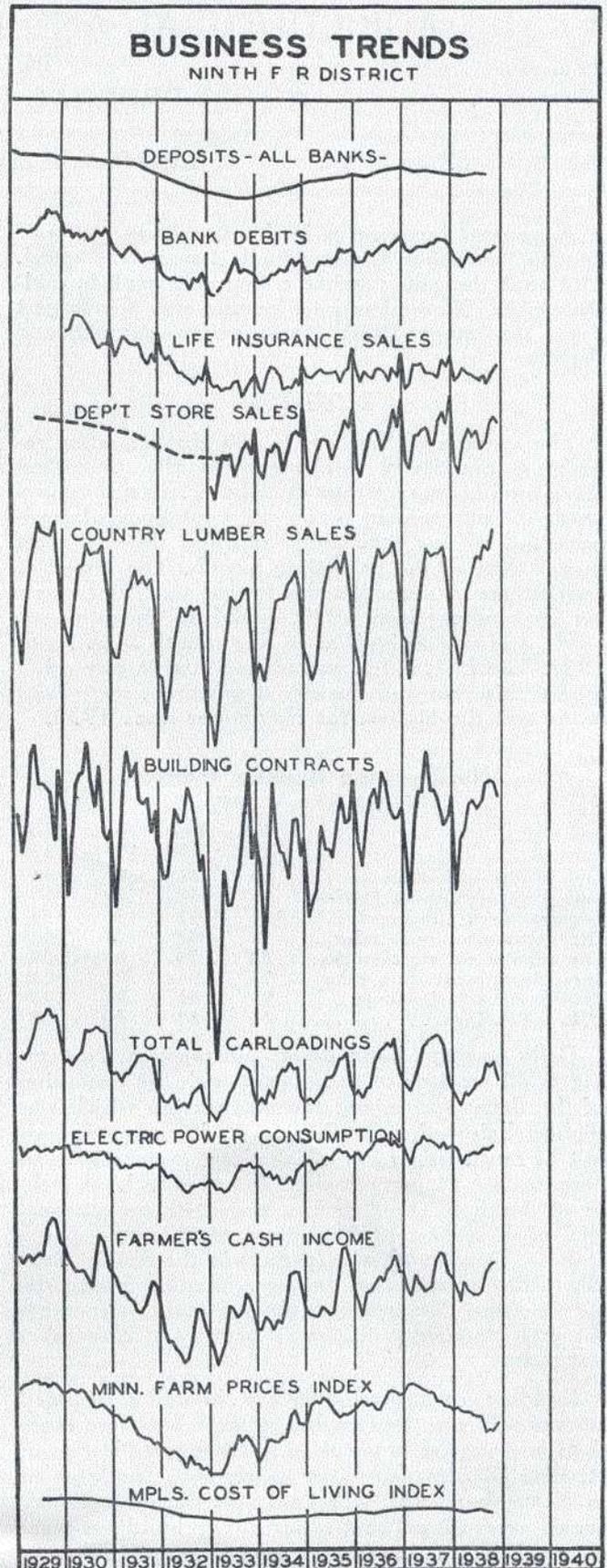
Other indicators of business volume that were higher in November than a year ago were passenger car sales in Minnesota, number of telephone installations in the Twin City area, wholesales of groceries, marketings of wheat and rye, carloadings of coal, coke & forest products, mortgages recorded in Hennepin and Ramsey Counties, lumber cut & shipped, butter production, and calf & hog receipts at South St. Paul. Decreases from last year were recorded in passenger car sales in North Dakota, sales of trucks in Minnesota and North Dakota, wholesales of hardware, warranty deeds recorded in Hennepin and Ramsey Counties, life insurance sales, flour production, flour & linseed product shipments, flax marketings, and cattle & sheep receipts at South St. Paul.

Sales at Department Stores

	No. of Stores	% Nov. 1938 of Nov. 1937	Cumulative % 1938 of 1937
Mpls., St. Paul, Duluth-Superior..	21	101	96
Country Stores	423	99	95
Minnesota	149	100	96
Central Minnesota	28	105	97
Northeastern Minnesota	16	97	91
Red River Valley Minnesota..	11	96	98
South Central Minnesota...	34	98	93
Southeastern Minnesota	20	102	98
Southwestern Minnesota	40	100	97
Montana	51	99	93
Mountain	14	92	89
Plains	37	105	98
North Dakota	81	99	97
North Central North Dakota..	16	97	94
Northwestern North Dakota..	12	100	95
Red River Valley No. Dakota	24	99	101
Southeastern North Dakota..	24	99	94
Southwestern North Dakota..	5	100	96
Red River Valley—Minn., N. D.	35	98	100
South Dakota	68	103	99
Southeastern South Dakota..	18	96	98
Other Eastern South Dakota	38	111	100
Western South Dakota.....	12	100	90
Wisconsin & Michigan.....	74	97	93
Northern Wisconsin & Mich..	37	98	92
West Central Wisconsin....	37	96	94
Total District	444	100	96

BANKING

Country member bank deposits rose \$11 million between the latter half of October and the latter half of November, increases being recorded in each state and part state in the district. There was no change in earning assets during that period, all of the deposit increases being redeposited with correspondent banks or with us. Excess reserves rose to a little more than \$15 million. Compared with the latter half of November 1937 demand deposits were unchanged but time deposits were \$4 million less. Earning assets and reserves with us were each down \$7 million and balances due from banks were \$10 million larger.



City member bank deposits rose to \$560 million on December 14, the highest total in the last two years. The increase was chiefly due to larger balances due to other banks, all of which were re-deposited with us and raised excess reserves to a little more than \$21 million. Holdings of government securities increased slightly between mid-November and mid-December but the increase was more than offset by a decline in loans to customers.

Bills discounted by this bank for member banks decreased further between November 16 and December 14 and were smaller than at mid-December last year. **Industrial loans and commitments to make industrial advances** both declined slightly. **Total member bank reserve balances** increased \$8 million despite a \$2 million increase in Federal Reserve notes in circulation.

AGRICULTURE

Farmers' cash income in the Ninth District declined less than usual during November and was only 4 percent less than a year ago. Grain marketings showed a sharp seasonal decline but were larger than a year ago with the exception of flax. Lower prices, however, resulted in smaller cash income than in November last year. Larger marketings of potatoes together with a higher price raised potato income to half again as large as in the same month last year. Dairy product income was one-fourth smaller than during November 1937. While hog marketings declined to the lowest level of the current season during the last week of November because of sharp price declines that accompanied the Chicago stockyard strike, the unusually large receipts during the second and third weeks of the month resulted in a total for the month which was far above normal and more than compensated for the lower price. Hog income in November was estimated to be \$2½ million larger than in November last year and the largest for any month since December 1936.

The USDA estimate of cash income in October from the sale of crops, livestock and livestock products in the Ninth District increased seasonally, but was the smallest in any October since 1934. Minnesota, Montana and the parts of Michigan and Wisconsin in our district showed increases over the September level. Montana was the only state in the district with a higher cash income than in October last year.

Agricultural product prices firmed slightly during November. Prices of eggs, butter, milk, butcher cows & heifers, stocker & feeder cattle, lambs, ewes, wool, potatoes, corn, and oats were higher in November than in October. Prime heavy butcher steers, hogs, hens, wheat, and rye registered slight declines during the month and prices of prime light butcher steers, veal calves, barley, and flax were unchanged. The Minnesota farm price index advanced 5 points to 66, the highest since July when it was 73 but 15 points below November 1937.

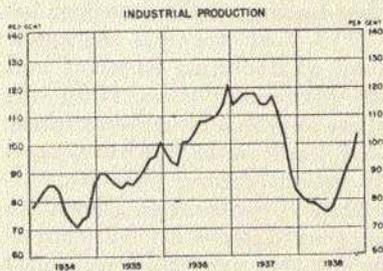
Receipts of cattle at South St. Paul declined seasonally during November and were the smallest for any November since 1933. Calf receipts increased during November instead of declining as usual and were larger than in any November since 1934. As an indication of the extent to which Northwest farms have been restocked with beef cattle this year, total receipts of cattle and calves during the first 11 months of 1938 have been 10 percent smaller than in the same period last year despite a cattle population at the beginning of this year that was 150 thousand head larger than on January 1, 1937. During the first two weeks of December the beef trade sagged off seasonally but marketings failed to drop off with demand, resulting in a weakening of cattle prices.

Shipments of feeder cattle and calves from South St. Paul declined seasonally during November but were larger than in the same month in the preceding year for the first time since last May. A strong demand has existed throughout the summer and fall for feeder cattle, but limited supplies have prevented larger shipments. *The Cattle Feeding Situation* published by the USDA states: "Records of direct shipments of feeder cattle not going through stockyards for a number of important feeding states show that the direct movement since July of this year has been considerably larger than during the corresponding period last year."

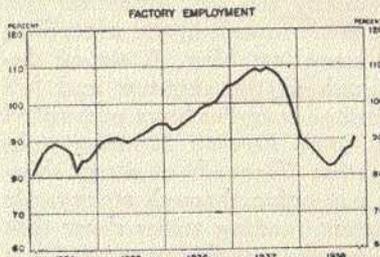
Dairy cow trade during November and the first half of December was steady. Supplies of good cows were limited throughout the period, and were readily salable at prices ranging from \$65-\$85. Poor quality cows had a very narrow and uncertain outlet, selling at little more than butcher prices. The November price range was \$35-\$95.

Hog receipts at South St. Paul increased seasonally during November, were two-thirds larger than a year ago and the largest for any November since 1931. One-third more hogs have been received during the first 11 months of 1938 than during the same period last year. In spite of these larger marketings and the resulting decline in hog prices, according to *The Hog Situation*, "the hog-corn price ratio showed a rather sharp increase in October and early November as a result of relatively greater declines in corn prices than in hog prices. . . . this high hog-corn price ratio reflects the abundant supplies and low prices of feeds, and indicates a favorable situation for increased hog production."

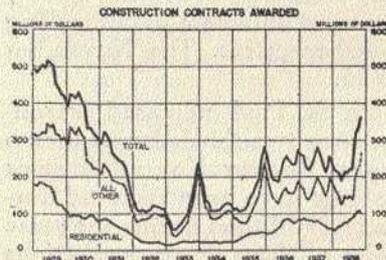
Sheep and lamb receipts at South St. Paul declined seasonally during November and were the smallest in any November since 1935. Receipts during the first 11 months of 1938, however, were about as large as in the same period of 1937. According to *The Sheep and Lamb Situation* published by the USDA, "The number of lambs fed during the 1938-39 feeding season will be somewhat smaller than the large number fed last year. . . . Some improvement in consumer demand for meats and in wool prices is expected during the coming year."



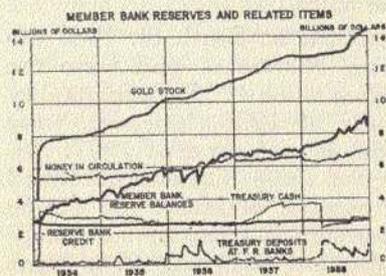
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1938.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for September, October and November 1938.



Wednesday figures, January 3, 1934 to December 21, 1938.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DECEMBER 23, 1938

The sharp rise in industrial production, which began early last summer, continued in November. Preliminary reports for the first three weeks of December indicate some slowing down in the advance. Employment also increased in November and payrolls showed little change, although a decline is usual at this season. Distribution of commodities to consumers increased considerably.

PRODUCTION: The Board's seasonally adjusted index of industrial production in November rose to 103 percent of the 1923-1925 average from 96 percent in October. Output of steel continued to increase, contrary to the seasonal trend, and there was a further sharp rise in automobile production. In the first three weeks of December, activity at steel mills declined somewhat more than seasonally, while output of automobiles continued at the high level reached at the end of November. Lumber production in November decreased by more than the usual seasonal amount. In the non-durable goods industries, shoe production declined seasonally, while output of textiles showed a considerable expansion, with increased activity at cotton, wool, and silk mills. At mines, bituminous coal output increased further and production of anthracite showed less than the usual seasonal decline. Output of petroleum showed little change.

The value of construction contracts awarded in November showed a decline from the high level reached in October, according to F. W. Dodge figures for 37 eastern states. Private and public projects both declined, following increases in October. The decline in contracts for private residential building was less than seasonal.

EMPLOYMENT: Employment increased somewhat further and payrolls showed little change between the middle of October and the middle of November, although declines are usual at this time of year. In manufacturing, the number employed continued to rise, reflecting principally a further sharp increase at automobile factories and substantial increases in the machinery, steel and textile industries. Employment declined seasonally at establishments producing clothing and shoes but in most other industries employment increased somewhat. In lines other than manufacturing, employment showed some increase, when allowance is made for usual seasonal changes.

DISTRIBUTION: Distribution of commodities to consumers showed a considerable increase in November. Department store sales and mail order sales, which had been retarded in October by unseasonably warm weather, rose sharply, and sales at variety stores also increased in November. Sales of automobiles to consumers expanded sharply following the introduction of new models and in November were larger than a year earlier.

Freight carloadings, which had increased considerably in previous months, showed a slightly less than seasonal decline in November.

COMMODITY PRICES: Prices of some industrial materials, such as non-ferrous metals, hides and cotton goods, decreased somewhat from the middle of November to the third week of December. Sugar prices also declined while grains advanced somewhat. Prices of most other agricultural and industrial commodities continued to show little change.

BANK CREDIT: In connection with pre-holiday trade, there was a sharp increase in money in circulation and as the result of this increase in the demand for currency, together with Treasury operations around December 15, there was a temporary decline in member bank reserves.

Following declines during November, total loans and investments of reporting member banks in 101 leading cities increased during the first three weeks of December, largely reflecting operations of the Treasury. Loans to security dealers by New York banks increased sharply, reflecting temporary borrowing for the purpose of carrying government securities exchangeable for new issues on December 15. Adjusted demand deposits rose to a new high level in the first half of December.