

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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Business volume declined slightly in October but mining activity was at the highest rate for the year. Member bank deposits reached a new all-time high. Loans to customers by city banks on November 15 were the highest in seven years. Farmers' cash income was well above a year ago.

BUSINESS

The volume of business in this district measured by our seasonally adjusted indexes was a little smaller in October than in September when it was larger than in any month in the last two years. The October volume was relatively large, however, especially in the rural sections of the district. The country check clearings index was the highest on record for October and the country lumber sales and bank debits at farming centers indexes were the highest for October since 1929. Our rural department store sales index was the highest for October since 1937. The carloadings indexes were both higher than in any month since September 1937 and the total carloadings index was the highest for October since 1930.

Northwestern Business Indexes (1929-1931=100)

	Oct. 1939	Sept. 1939	Oct. 1938	Oct. 1937
Bank debits—94 cities.....	90	91	83	91
Bank debits—farming centers...	101	98	90	96
Country check clearings.....	155	156	142	151
City department store sales....	97	104	91	96
City department store stocks...	85	85	79	86
Rural department store sales...	100	111	94	100
Country lumber sales.....	117	111	105	90
Miscellaneous carloadings	90	89	79	86
Total carloadings (excl. miscellaneous)	92	83	66	81

Building contracts awarded in October (excluding public works and utilities) as reported by the F. W. Dodge Corporation were somewhat larger than in the preceding month as a result of increases in all classes of building with the exception of residential and commercial. Residential contracts showed less than the usual decline, however, and the total for the month was higher than in any other October since 1928. Contracts for public works were one-third larger than in September but public utility contracts were only one-third as large. Total construction in this district in October was a little larger than in September but somewhat smaller than in October last year. With the exception of last year, however, total construction was the largest for October since 1933.

Building permits issued in 59 cities and the Minneapolis suburban areas in October were 20% larger

than in October last year. There was a small increase in permits for new construction and a very large rise in permits for repairs and alterations. As a result, the valuation of permits for new construction was only two-thirds of the total, compared with the usual three-fourths or more.

Department store sales in October were 7% larger than in October last year, both city and country department stores showing the same increase. Sales in each of the 18 trade area sections of the district were larger than in October last year. The largest increases were reported by the southwestern and southeastern sections of North Dakota. Department store sales during the first ten months of this year were 5% larger than in the same period last year and each of the 18 sections showed some increase. Collections were good in October according to the 45 stores reporting this item and were larger than in any month since last January. Accounts and notes receivable, however, showed about the usual increase in October and, following the sharp rise in the preceding month, at the end of October were the largest in two years except for the seasonal peaks reached on December 31.

Sales at Department Stores

	No. of Stores	% Oct. 1939 of Oct. 1938	Cumulative % 1939 of 1938
Mpls., St. Paul, Duluth-Superior..	21	107	105
Country Stores	416	107	106
Minnesota	144	107	105
Central Minnesota	27	104	104
Northeastern Minnesota	15	109	107
Red River Valley Minnesota..	11	109	109
South Central Minnesota.....	34	106	104
Southeastern Minnesota	19	103	100
Southwestern Minnesota	38	110	107
Montana	47	106	109
Mountain	13	112	107
Plains	34	102	111
North Dakota	75	110	105
North Central North Dakota..	13	105	104
Northwestern North Dakota..	11	113	106
Red River Valley No. Dakota	24	105	102
Southeastern North Dakota..	22	118	106
Southwestern North Dakota..	5	130	116
Red River Valley—Minn., N. D.	35	106	104
South Dakota	79	106	105
Southeastern South Dakota..	16	105	104
Other Eastern South Dakota.	52	106	106
Western South Dakota.....	11	103	107
Wisconsin and Michigan.....	71	107	104
Northern Wis. and Mich....	38	110	107
West Central Wisconsin.....	33	105	102
Total District	437	107	105

City department store stocks increased by about the seasonal amount in October to the highest total since the fall of 1937. Rural department store stocks increased during October as deliveries of goods or-

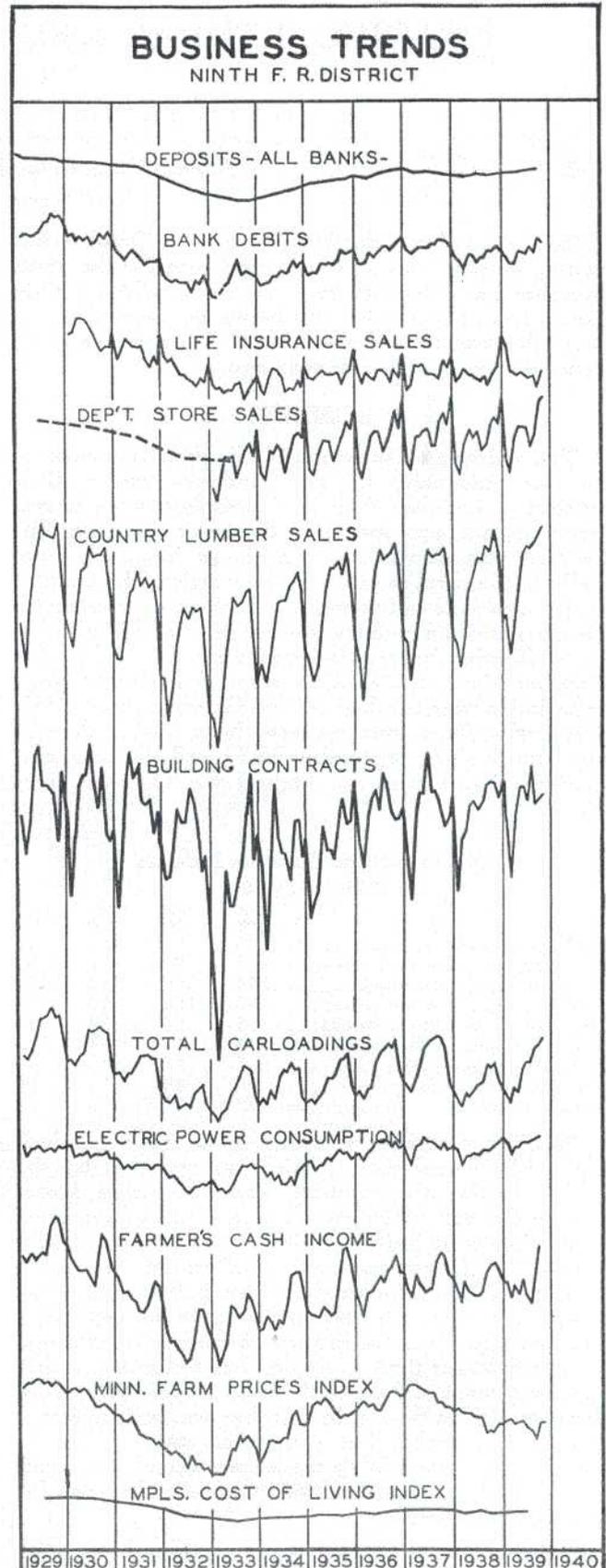
dered during September were made and the month-end total was 4% larger than one year earlier. Totals for each state and part state in the district showed October increases this year whereas October decreases were recorded in half of our territory last year. **Wholesalers' inventories** at the end of October were a little larger than one month earlier and somewhat larger than at the end of October last year. All classes of wholesalers reported inventory increases when compared with September 30, but when compared with October last year, one class of grocery wholesalers and wholesalers of plumbing and heating supplies reported declines.

Warranty deeds recorded in Hennepin and Ramsey Counties again declined in October to a level only a little larger than in October last year whereas the 1939 monthly totals have been far above the 1938 figures for many months. **Real estate mortgages**, however, showed about the usual pre-tax payment date increase and rose to the highest level since December 1934. **Mortgages accepted for insurance by the FHA** in the complete states in this district declined a little in both number and amount from the high August volume but in amount were the largest on record for September.

Business failures in October decreased in number but the amount of liabilities increased. Both number and amount, however, were well below October last year. **Non-farm real estate foreclosures** dropped sharply in September from the level of preceding months to the third lowest total in the four year records. November 1938 and January 1939 were the only months in which a smaller total was reported.

The volume of production in our district as indicated by several unadjusted indicators about equalled the high level of September despite reduced output of flour, both at Minneapolis and at outside mills, and of linseed products. The cut of lumber was much larger than in September whereas the October cut is usually smaller. Shipments of linseed oil were slightly larger in October than in September and shipments of lumber were 11% larger. All of these unadjusted indicators were higher in October than a year ago with the exception of flour production. **Electric power utilization** was a little larger in September than in August. The **Minnesota employment index**, after rising for eight consecutive months to 109.2 in September declined by somewhat less than the usual amount in October to 108.3.

Iron ore shipments in October were one-sixth larger than in September. Throughout the entire 1939 season, shipments each month have been larger than in the preceding month. The season's total through October was nearly 40 million tons and with favorable weather during the first three weeks in November, it is quite probable that the season's goal of 45 million tons will be attained. **Iron ore consumption** again increased in October as a result of the largest monthly actual output of steel ingots on record and approximated the volume of the higher months in 1937. **Iron ore stocks** also continued to increase throughout October and at the



end of the month were the largest in about two years. Underground mines in this district anticipate steady operation this winter in order to replace the large reductions of the last few months in their stock piles. **Copper and silver production** again increased in October to the highest levels since last December but **gold production** was unchanged from the September level. The number of employees increased in October and at the end of the month was 10% higher than one year earlier.

Other business volume indicators that were as high or higher in October than in the same month last year were life insurance sales; total sales at country lumber yards; new car sales; net telephone installations in the Twin City area; wholesales of groceries, hardware, automotive supplies, electrical goods, paper and tobacco and their products and other miscellaneous lines; and carloadings of coal and coke.

BANKING

Loans and discounts at all banks in the Ninth District increased nearly 10% between June 30 and October 2 according to abstracts of condition reports. While increases are not unusual between those dates, even in recent years, this \$41 million increase, to \$503 million, was the sharpest rise since 1929 with the exception of the fall of 1935. Each state and part state in the district reported some increase, the largest percentage of increase being in North Dakota, 30%. The district total on October 2 was the largest since the end of 1932. All bank deposits rose sharply to an 8 year high. \$1,488 million. There was a small increase in borrowings by Minnesota banks that more than offset the declines in North Dakota and Montana. Investment holdings were reduced slightly, continuing the trend shown earlier in the year and lowering the investment total to the lowest level since March 1936. Total reserves (balances due from banks, cash and cash items) increased \$26 million to the highest point ever recorded, \$514 million.

Country member bank deposits again increased in October and established a new high since 1931 for the third successive month. Earning assets increased by an amount somewhat larger than the increase in deposits, resulting in a small decline in balances with other banks. Balances with us increased slightly but not enough to offset the larger required reserves arising from the deposit increase. As a result, excess reserves in the latter half of October were a little below the high level of late September.

City member bank deposits after reaching the all-time high level of \$608 million on October 11 declined sharply around the October 15 tax date but increased rapidly thereafter and established new all-time high records each week in November, culminating in a high of \$620 million on November 15. Most of the increase was in individual and commercial deposits which totalled \$286 million on that date. Public deposits also showed a large increase during

the month of October, about half of which had been paid out before the middle of November. Total deposits on November 15 were \$65 million larger than at the middle of November last year. **Loans to customers** continued to increase throughout October and the first half of November. After the 16th consecutive weekly gain on November 15, the volume of loans to customers was \$33 million larger than on the same date one year earlier and was the largest since the sharp decrease in 1932. Investment holdings and balances with us showed little change between October 4 and November 15. However, there was some increase in balances with other banks with the result that total reserves were only slightly below the all-time high level of \$258 million reached last July. **Excess reserves** fluctuated around \$32-\$36 million in October, climbed to a new all-time high of \$36.7 million on November 8 and then declined.

AGRICULTURE

Farmers' cash income from the marketings of seven products (excluding government payments) in the Ninth District declined seasonally during October and was about as large as in October 1938 despite a large decrease in terminal marketings because of the widespread participation in the government's program of loans on wheat in storage on farms and in country elevators. Since our income estimates are based on terminal receipts, the income from wheat declined sharply and about offset the increased income from hogs and potatoes and the smaller than seasonal declines in rye, flax and dairy product incomes. Since the volume of government wheat loans is much larger than a year ago and total farm income from marketings is about as large as a year ago, it is evident that farmers' total cash receipts (including proceeds from loans) were larger than in October 1938.

The USDA's estimate of total cash income (including government payments and CCC loans) in September by farmers in the Ninth District was \$89 million, 31% larger than in September 1938 and larger than in any month since September 1931. Income from marketings of crops, livestock and livestock products accounted for about two-thirds and government payments for about one-third of the increase over a year ago. Each state and part state in the district had a larger income than a year ago with Minnesota and North Dakota recording gains of 44% and 40% respectively.

Agricultural product prices averaged about as high in October as in September, increases in some commodities offsetting declines in others. Milk and butter prices advanced to the highest points since the spring of 1938. Egg and poultry prices increased. Wool was the highest since the fall of 1937. Oats and flax prices went up while prices of the other grains and of potatoes declined somewhat but they all remained above a year ago. All classes of livestock sold at prices that averaged about 75 cents a hundredweight below September but were well

above a year ago with the exception of prime butcher steers and hogs. Prime butcher steers were nearly as high as in October last year but hogs at \$6.65 were a dollar a hundredweight below October 1938. The Minnesota farm price index for October remained at 68 compared with 61 in October last year.

Receipts of cattle and calves at South St. Paul during October increased seasonally and were 7% larger than during October last year but were smaller than in any other October since 1932. During the first ten months of 1939, receipts were slightly larger than during the same period last year. *The Livestock Situation* states: "Supplies of grain fed cattle during the remainder of this year and early 1940 are expected to be larger than in the corresponding period of 1938-39."

During the first half of November, demand remained firm with highest quality fed steers bringing "top" prices of \$10.50-\$11.00. Receipts declined as marketings of Montana and Canadian cattle dwindled, bringing to a close one of the heaviest fall marketings of grass cattle from western ranges in recent years. Of the approximately 525 thousand head of cattle and calves received between July 1 and November 15, western receipts, including Canadian, totalled about 210 thousand head with cattle comprising about 90% and calves, 10%, of that volume. North Dakota delivered 109 thousand, Montana 59 thousand, Canada 34 thousand, and South Dakota and other states the balance of 8 thousand head. Of these western receipts, 95 thousand were of slaughter quality and 115 thousand head were available for the stocker and feeder trade.

Stocker and feeder cattle shipments during October were half again as large as one year earlier and were the largest in any month since 1935. During the first ten months of this year, shipments were more than one-quarter larger than during the same period last year. The USDA reports: "With relatively large supplies of fed cattle and some reduction in marketings of cows and heifers, the spread between the prices of the upper and lower grades of slaughter cattle probably will continue to be comparatively narrow in 1940."

Shipments declined seasonally during the first part of November as nearly all of the large scale feeders had restocked their lots by that time. The average cost of feeder steers was \$7.90 for the week ended November 16, compared to \$7.75 one month earlier, and \$7.20 for that week in 1938.

The dairy cow market at South St. Paul became more active during October. Both local and shipper demand were good, especially for better grade cows. The bulk of the cows sold from \$60-\$80, the range for the month being \$40-\$85.

Hog receipts at South St. Paul in October increased seasonally but continued to remain below a year ago for the third consecutive month in spite of the 1939 spring pig crop that was much larger than one year earlier. During the first ten months of 1939, hog receipts were about 8% larger than dur-

ing that period in 1938. The USDA reports: "The effects on hog prices of the improvement in domestic and foreign demand probably will be offset largely, if not wholly, by the increase in the supplies of hogs for slaughter during 1939-40. Present indications are that prices for hogs will average lower than a year earlier in the first half of the 1939-40 marketing year and higher than a year earlier in the latter half of the year."

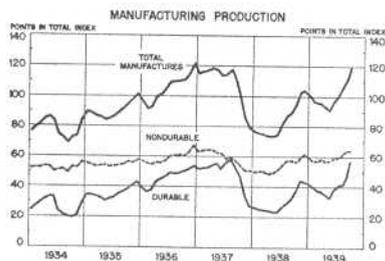
During the first two weeks of November, hog receipts increased and prices continued to decline. At mid-November the "top," \$5.65, set a new "low" for this marketing season and was the lowest since November 1934. While "top" prices were slightly below the low point of last August, the total spread in prices between barrows, gilts and sows had narrowed from about \$2 to \$.70.

Receipts of sheep and lambs at South St. Paul increased seasonally during October but were the smallest for the month since 1927. Sheep receipts for the first ten months of 1939 were slightly lower than in the same period last year and were the smallest for that period in any year since 1929. The USDA reports: "Slaughter supplies of lambs in the 1939-40 season (December-April) are expected to be somewhat larger than in 1938-39, but the effects of the increase in supplies upon prices will be offset, or more than offset, by improvement in consumer demand for meats and by higher prices for wool obtained from slaughter lambs."

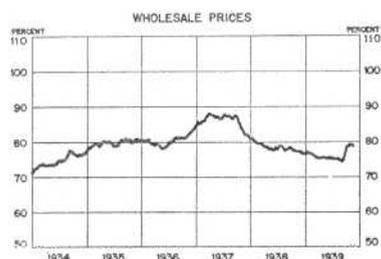
During the first half of November, receipts declined seasonally but prices sagged due to the weakness in dressed lamb prices as the Thanksgiving season with its increased poultry consumption drew nearer. The "top" fat lamb price on November 17 was \$8.75, the lowest since the first week in September but about the same as one year earlier.

Turkey production in 1939 in our four states was 24% larger than in 1938 and substantially larger than usual. United States production was 22% above a year ago. According to figures published by the USDA, this territory markets less than one-fifth of its turkey crop in October or earlier, slightly more than one-third in November, one-third in December and the balance in January or later.

Cold storage holdings of butter continued to decline more than seasonally during October and on November 1 total supplies, including the DPMA, FSCC and relief holdings, were about average. Stocks of cheese remained slightly below the 5-year average. A larger-than-usual net outmovement of eggs reduced holdings to 8% below normal. Poultry supplies were slightly larger than usual. Aggregate storage holdings of meat declined more than usual during October, chiefly because of a larger-than-normal decline to 84% of the 5-year average in pork holdings. Beef stocks increased seasonally, remaining at about two-thirds of normal. Stocks of lamb and mutton increased less than usual but remained somewhat above average. Holdings of lard declined less than is customary during October and were about normal on November 1.



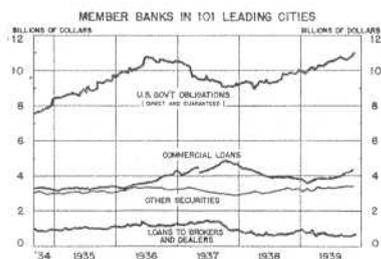
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. Durable and nondurable series expressed in terms of points in the total index. By months, January 1934 to October 1939.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ended November 18, 1939.



For weeks ended January 6, 1934 to November 18, 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to November 15, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 18, 1939

Rapid expansion of industrial output continued in October, and employment and pay rolls increased considerably. Distribution of commodities to consumers, which had increased in September, was maintained at the higher level in October. In the first half of November industrial activity increased further but, with production in many industries approaching capacity, the advance was less rapid than in earlier months. Commodity prices generally showed little change during October and the first half of November, following the sharp rise in September.

PRODUCTION: Volume of industrial production showed a further sharp rise in October and the Board's seasonally adjusted index advanced from 111 to 120 per cent of the 1923-1925 average. Marked increases in activity were reported in the steel and steel-consuming industries and at mines. In the steel industry ingot production in October was at a rate of 90 per cent of capacity and actual volume of output was the greatest for any month on record. Some further increase in the rate of output was reported in the first half of November. Pig iron production also advanced sharply and lake shipments of iron ore, which had increased considerably in September, continued in exceptionally large volume. Activity in the machinery and shipbuilding industries and in most other steel-consuming lines rose in October but by a considerably smaller amount than output of steel. In the automobile industry, however, output showed less than the marked rise usual at this season. This was due to the fact that plants of one large producer were closed during most of the month by an industrial dispute. Mineral production in October was at record levels owing chiefly to a high rate of crude petroleum output.

In the nondurable goods industries activity was generally maintained at the high levels reached in August and September. Flour production declined sharply, however, following an exceptionally large volume of output in September.

Value of construction contracts, as reported by the F. W. Dodge Corporation, decreased considerably in October, reflecting principally a reduction in awards for public construction. Private residential contracts continued in substantial volume while awards for commercial and industrial building declined somewhat following increases in the previous month.

EMPLOYMENT: Reports from leading industrial States indicate that factory employment and pay rolls increased sharply between the middle of September and the middle of October. Increases were particularly large at steel mills and in related industries. There was also a considerable increase in employment on the railroads in October.

DISTRIBUTION: Retail distribution of general merchandise in October showed about the usual seasonal rise from the advanced September level. In the early part of November department store sales increased considerably.

Freight-car loadings rose further from September to October, reflecting a large increase in shipments of miscellaneous freight, which includes most manufactured products, and smaller increases in loadings of coal, forest products, and ore.

COMMODITY PRICES: Price changes that have occurred since the general sharp rise in September have reflected largely particular developments in individual commodities. From the middle of October to the middle of November prices of a number of foodstuffs continued to decline and there were also decreases in some industrial materials, such as print cloths, wool, tin, and steel scrap. Wheat, cotton, and burlap advanced somewhat while prices of most other commodities, including finished industrial products, showed little change.

GOVERNMENT SECURITY PRICES: Following a sharp recovery from the low of September 21, prices of United States Government bonds showed irregular changes during the period from October 24 through the first half of November. On November 15 yields on long-term Treasury bonds were at 2.47 per cent as compared with 2.79 per cent on September 21.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities increased substantially during the six weeks ended November 8, reflecting largely purchases of Treasury bills by New York City banks. Commercial loans continued to show moderate increases. Deposits at these banks rose to new high levels.