MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY OF BUSINESS

The general level of business in the district during October was a little higher than in September. Retail trade appears to have advanced, while some other kinds of business, especially those affected by the small wheat crop, declined. The index of city department store sales rose two points in October and this level, on a seasonally adjusted basis, has only been exceeded once since the close of 1931. The index of country lumber sales rose twenty points in October to the highest level since 1930. The miscellaneous freight carloadings index also rose six points, reflecting an increased distribution of heavy commodities. On the other hand, the bank debits and country check clearings indexes declined during October as they have done in other years when the wheat crop was below normal.

Northwestern Business Indexes

(Various base periods)

	Oct. 1935	Sept. 1935	Oct. 1934	Oct. 1933
Bank debits—94 cities	67	70	57	54
Bank debits—Farming centers	75	75	62	54
Country check clearings	125	129	100	80
Department store sales	79	77	72	66
Country lumber sales	97	77	70	55
Carloadings—Miscellaneous	79	73	70	61
Carloadings—L. C. L.	59	60	60	60

The October volume of business was larger than the October volume last year by important percentages. Bank debits were 17 per cent larger; country check clearings were 25 per cent larger; and freight carloadings were 28 per cent larger. Other increases over last year occurred in electric power consumption, building permits, flour production and shipments, linseed product shipments, copper and iron ore output, butter production, grain marketings, life insurance sales, country lumber sales, and wholesale trade. The only important decreases from last year's volume were in livestock receipts and building contracts.

Retail trade in the district was considerably larger in October than in the same month last year, and the increase was greater at rural stores than at city stores. The city department stores reported an increase of 11 per cent and country general stores reported an increase of 17 per cent. Both of these increases were larger than in any other month of the year with the exception of last July. Rural retail trade increases were largest in southern and central Minnesota, northern Wisconsin and Michigan, western North Dakota, and eastern Montana.

Retail Trade

		% October, 1935 of October, 1934
Mpls., St. Paul, Duluth-Superior	(22 stores)	111
Country stores	(345 stores)	117
Minnesota—Central	(11 stores)	129
Minnesota—Northeastern	(9 stores)	117
Minnesota—Red River Valley	(13 stores)	110
Minnesota—South Central	(24 stores)	123
Minnesota—Southeastern	(19 stores)	118
Minnesota—Southwestern	(34 stores)	124
Montana—Mountain	(17 stores)	115
Montana—Plains	(35 stores)	119
North Dakota—Other No. Dak.	(10 stores)	123
North Dakota—Red River Val.	(26 stores)	109
North Dakota—Southeastern	(20 stores)	106
South Dakota—Other eastern	(43 stores)	108
South Dakota—Southeastern	(11 stores)	109
Wisconsin—West central	(38 stores)	115
Northern Wisconsin and Mich.	(35 stores)	121
Ninth District	(367 stores)	114

DISTRICT SUMMARY OF BANKING

The seasonal upswing in the city member bank deposits during the first half of November carried total deposits of these banks to $527,000,000, which was the largest total in history. The increase was due, chiefly, to public funds resulting from real estate tax payments at the end of October. Balances due to country correspondent banks also increased, and this movement was probably due to the deposit of tax funds in rural banks. The loans of city member banks remained practically unchanged during the four weeks ending November 13, following the strong seasonal upturn of earlier weeks. With rising deposits, these city banks added 4 million dollars to their government security holdings and 14 million dollars to their cash and balances due from banks.

Country member banks reported an increase of 4 million dollars in adjusted deposits in October over September. The increase was chiefly in Montana, as a result of the marketing of crops and livestock. Deposits in rural Minnesota increased by a smaller amount.

Bank Call of November 1

Total deposits of all member banks in the district were 958 million dollars on November 1, according to a preliminary tabulation from called reports. This was the largest total of deposits during the recovery period. Deposits increased 30 million dollars between the calls of June 29 and November 1. The increase in deposits was slightly greater at city member banks than at country member banks.

Loans and investments of all member banks in the district increased 36 million dollars during this period. This increase was largely in the loans of city member banks, which experienced a sharp seasonal increase this fall and reached the highest level on November 1 since October, 1933. Country member banks increased their loans by 5 million dollars during the period, bringing their loans to customers up to the level of June, 1934.

A closer analysis of the investments of member banks shows that they increased their holdings of open market commercial paper by 7 million dollars between June 29 and November 1 and decreased their holdings of United States government securities by the same amount. Minor increases occurred in holdings of other securities. The decrease in government security holdings was entirely in the banks outside of the larger cities.

DISTRICT SUMMARY OF AGRICULTURE

The Livestock Outlook

An upward trend in the number of cattle on farms during 1936 and continuing for three years, especially in states west of the Mississippi River, is forecast by the United States Department of Agriculture in its annual outlook report. Fewer cattle and calves will be slaughtered next year, but a large increase in cattle feeding operations this fall and winter in the Corn Belt and other areas will provide a supply of better quality and heavier weight animals. Many more cows and heifers and fewer steers were slaughtered in the first nine months of 1935 than normal, but slaughter of cows is expected to decrease after the end of this year.

Current high prices of feeder cattle and corn will result in the highest costs since 1931 for finished cattle this winter and next spring, whereas market prices for finished cattle are likely to decline and average lower than in the corresponding periods of 1935, the report states. Market prices for lower grade cattle, however, are expected to advance seasonally during those periods.

Hog production has been increasing since last spring, and increased slaughter supplies are expected for the April-September season next year, according to the report. Slaughter supplies are expected to be smaller from November to April, and hog prices are expected to be higher than in the same period a year earlier. The 1935 fall pig crop and the 1936 spring pig crop are both expected to be larger than the crops of last fall and last spring.

An upward trend in the number of sheep on ranges of the western states for the next few years, providing feed conditions continue favorable, was forecast by the report, but no changes were anticipated in the number of sheep in farm flocks.

The supply of slaughter lambs up to May, 1936, will be the smallest in several years according to the report and because of the much smaller supply of feeder lambs, lamb feeding operations will be greatly reduced this fall and winter; the probable improvement in consumer demand and the short supply of slaughter lambs are likely to result in the highest lamb prices in the last six years.

Low prices and little mill demand during 1934 resulted in smaller 1935 wool production, both in the United States and abroad. Fairly heavy mill consumption and the smaller 1935 production have been responsible for some improvement in wool prices since last spring. Mill consumption may not be as large in the early part of next year as in 1935, but it is expected to be large enough to maintain present wool prices at least until the 1936 clip becomes available, according to the report.

Cold Storage Holdings

Cold storage holdings of various farm products in the United States experienced a leveling movement during October, for the unusually high stocks of butter were brought down more nearly to the average while stocks of meat were not as far below normal at the close of the month as at its beginning. Butter stocks decreased 29 million pounds during the month of October whereas the usual decrease is only 19 million pounds. On the other hand, stocks of pork decreased only 37 million pounds, as compared with an average October decrease of 81 million pounds. Similarly, lard stocks decreased only 5 million pounds, as against an average decrease of 34 million pounds. Beef stocks increased during October by more than the usual amount. On November 1 stocks of butter, cheese, and beef were above the five-year average for that date, but stocks of cream, eggs, poultry, pork, lard, and lamb and mutton were below the five-year average.

Farm Income

Estimated farm income from marketings of seven important products in the district was 64 per cent larger in October than in the same month last year. This great increase was almost entirely due to larger marketings of wheat, rye, and flax for, although the 1935 small grain crop was below normal, it was much larger than the 1934 crop. Income from the sale of dairy products was also slightly larger in October than in the same month last year, but the income from hogs was practically the same as a year ago, and the income from potatoes was slightly lower than a year ago. None of these estimates take into account government rental and benefit payments.

All livestock prices, with the exception of prime

butcher steers and veal calves, declined during October and there were also sharp declines in the prices of potatoes and corn as the new crops approached the marketing season. The price of butter increased by more than the seasonal amount during October and the first part of November and there were minor increases in the prices of rye, durum wheat, and flax. In October the prices of all livestock, butter, hens, eggs, and bread wheat were higher than a year ago, but the prices of other grains and potatoes were lower than last year's prices.

Livestock Marketings

Cattle receipts at South St. Paul during October and the first half of November were much larger than in the preceding six weeks and larger than the commercial receipts (excluding government purchases) in the same period last year. The larger supplies were responsible for slightly lower median prices for the ordinary grades of butcher cattle. Long-fed butcher steers continued to be scarce, however, and the October medians for both light and heavy prime butcher steers were the highest since last April. A slow demand for feeder cattle resulted in slightly lower prices for both light and heavy feeder steers.

Hog receipts during October and the first half of November increased seasonally, but continued at a level little more than half as large as during the same period last year. Declines in dressed pork prices, however, as a result of decreased consumption, resulted in a further lowering of hog prices. Packing sows suffered the greatest price loss. The quality of hog receipts was definitely higher than that of the preceding weeks.

Sheep and lamb receipts at South St. Paul from October 1 to November 13 were seasonally larger than in the preceding six weeks and nearly as large as commercial receipts in the corresponding weeks last year. Despite ample supplies, ewe and lamb October median prices rose for the third successive month. This continued advance has put sheep prices more nearly in line with cattle and hog prices, eliminating much of the price advantage that cattle and hogs have held since early last spring.

Number, Acreage and Value of Farms in the Ninth Federal Reserve District

Early reports of the 1935 farm census indicate a sharp increase in the number of farms in the Ninth Federal Reserve District between 1930 and 1935. The reports also indicate a somewhat smaller increase in the total number of acres in farms, but a drastic reduction in the value of all farm land and buildings.

Each of the four complete states in this district and also the portions of Michigan and Wisconsin that are included in this district reported increases in both the number of farms and the total number of acres in farms. The largest increase in any of the four complete states in the number of farms was reported for Minnesota; the smallest for South Dakota, where the increase was less than half of one per cent. Chiefly because of the large amount of non-agricultural land in these sections in 1930, the increases in both the upper peninsula of Michigan and the 26 northwestern counties of Wisconsin in the number of farms and the total number of acres in farms were much larger than in any of the four complete states of the district.

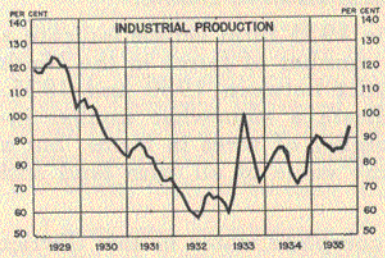
A decrease of more than one-third in the value of all farms in this district was indicated by the reports. The value of farms in South Dakota showed the greatest decline. A large portion of the decrease of 46 per cent in the value of farms in South Dakota may be attributed to the very severe drouths that afflicted that state in both 1933 and 1934. Partly because of the large increases in the number of farms and total land in farms, the decreases in the value of farms in the portions of Michigan and Wisconsin in this district were smaller than in any of the states that are entirely contained in the district. The percentage decrease in the value of farms in North Dakota was smaller than in Minnesota or Montana, but the dollar decrease in Montana was smaller than in any of the other complete states in this district.

In the accompanying table are shown the farm census figures for each of the four states and the two part-states in the Ninth Federal Reserve District and percentages.

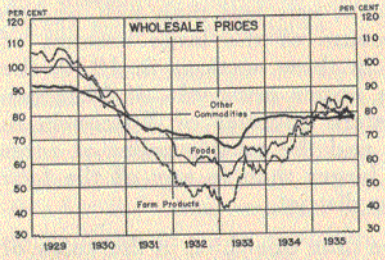
Number, Acreage and Value of Farms in Ninth Federal Reserve District

	Number of Farms Jan. 1 1935	Number of Farms April 1 1930	Per Cent '35 of '30	All Land in Farms (Thousands of Acres) 1935	All Land in Farms (Thousands of Acres) 1930	Per Cent '35 of '30	Value of Land and Buildings (000's omitted) 1935	Value of Land and Buildings (000's omitted) 1930	Per Cent '35 of '30
Minnesota	203,302	185,255	110	32,822	30,913	106	$1,383,138	$2,125,093	65
Montana	50,562	47,495	106	47,536	44,659	106	376,035	527,610	71
North Dakota	84,606	77,975	109	39,129	38,658	101	707,685	951,225	74
South Dakota	83,303	83,157	100	37,108	36,470	102	693,323	1,285,154	54
Four States	421,773	393,882	107	156,595	150,700	104	$3,160,181	$4,889,082	65
Michigan*	16,081	13,087	123	1,450	1,252	116	40,031	50,136	80
Wisconsin†	59,943	52,055	115	6,923	6,235	111	59,630	71,445	83
9th F. R. District	497,797	459,024	108	164,968	158,187	104	$3,259,842	$5,010,663	65

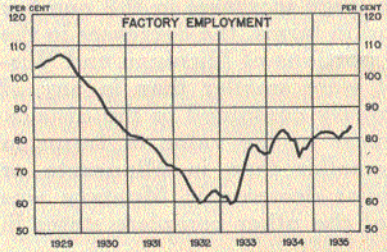
*15 counties in upper peninsula. †26 northwestern counties.



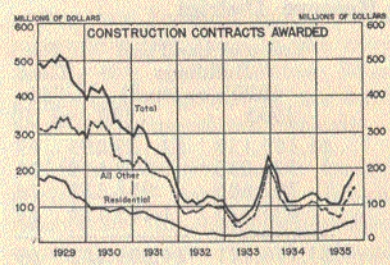
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average—100.)



Indexes of the United States Bureau of Labor Statistics. (1926—100.) By months 1929 to 1931; by weeks 1932 to date.



Index of factory employment, adjusted for seasonal variation. (1923-1925 average—100.)



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for September and October and estimate for November.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM NOVEMBER 27, 1935

Industrial production increased more than seasonally in October, and there was also a considerable advance in factory employment and payrolls. There was a continuous inflow of gold from abroad and an increase in bank deposits.

INDUSTRIAL PRODUCTION AND EMPLOYMENT: The volume of output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, increased from 89 per cent of the 1923-1925 average in September to 94 per cent in October, reflecting larger output in a wide range of industries. Automobile production, which had been at a low level in September when preparations were being made for the manufacture of new models, increased rapidly during October and the early part of November. At steel mills, activity increased slightly in this period, contrary to the usual seasonal tendency, and in the third week of November was at about 54 per cent of capacity. Lumber production showed little change. Among the industries producing non-durable manufactures, the principal changes in output were increases of considerably more than the usual seasonal amount at cotton mills, woolen mills and meat packing establishments. At mines, the output of bituminous coal was in larger volume than in other recent months, and the output of crude petroleum continued to increase.

Factory employment, which ordinarily shows little change at this season, increased considerably between the middle of September and the middle of October, reflecting substantial increases in the industries producing durable manufactures. The most marked expansion was in the automobile industry, and there were smaller increases at railroad repair shops and in the iron and steel, machinery and nonferrous metals industries. Employment at canning factories showed a considerable decline, largely of a seasonal character.

The total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a considerable increase in October followed by a slight decline in the first half of November. In this six-week period total contracts were substantially larger than a year ago, reflecting marked increases both in residential building and in other types of construction, but the volume is still at a relatively low level.

DISTRIBUTION: Railroad freight carloadings increased by a considerable amount from September to October, reflecting principally larger shipments of coal and miscellaneous freight. In the early part of November carloadings were at a lower level than in October, chiefly as a consequence of seasonal developments. Department store sales, which usually increase at this season, showed little change from September to October on a daily average basis, and the Board's seasonally adjusted index declined from 81 per cent of the 1923-1925 average to 77 per cent.

COMMODITY PRICES: The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, was slightly lower in October and the early part of November than in the latter part of September, reflecting reductions in the prices of farm products and foods, offset in part in the index by an advance in prices of other commodities, particularly hides and leather products and textiles. Prices of hogs and pork showed a decrease, as is usual at this season, while cotton advanced.

BANK CREDIT: Excess reserves of member banks increased further by $190,000,000 during the five-week period ended November 20 reflecting a continued inflow of gold from abroad. At the end of the period excess reserves were at a new high level of over $3,000,000,000.

Total loans and investments of reporting banks in 101 leading cities increased by $190,000,000 during the five weeks ended November 20, reflecting principally an increase in holdings of United States Government securities. Adjusted demand deposits of these banks showed an increase of $550,000,000 for the period.

The call money rate on New York Stock Exchange loans was increased from ¼ of 1 per cent to ¾ of 1 per cent in the last week of October. At the same time the rate on time loans was increased from ¼ of 1 per cent to 1 per cent, but few loans have been made. Other money rates have remained at former low levels.