MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 272) Federal Reserve Bank, Minneapolis, Minn. August 28, 1937

July business volume was the largest for July since 1931. Iron ore shipments were the largest for July on record. Bank loans to customers increased seasonally, and deposits decreased. Retail trade and farmers' cash income were higher than a year ago. Farm product prices were mostly higher than July 1936. Feed crop estimates were far above the 10-year average.

DISTRICT SUMMARY OF BUSINESS

The volume of business in July was larger than in the same month in other recent years, but not quite as high as last spring. The country check clearings index was higher than any other July on record and our other indexes were as high or higher than any July since 1930 or 1931.

Northwestern Business Indexes

(Varying base periods)

	July 1937	June 1937	July 1936	July 1935
Bank debits—94 cities	87	80	85	68
Bank debits—farming centers	88	86	85	70
Country check clearings	149	150	147	124
Department store sales	89	94	81	71
Country lumber sales	88	88	86	77
Miscellaneous carloadings	87	87	80	67
L. C. L. carloadings	65	65	62	60

Bank debits at the Great Lake Ports continued to show the largest increase over the same month in the preceding year but were closely followed by cities in the wheat and mixed farming section of the Dakotas and Minnesota. Debits in all of the rural sections of the District except the southwestern beef and pork section were higher than in July last year, but in the Twin Cities and South St. Paul, were slightly lower. Carloadings of ore were again nearly 50 per cent larger than in the same month a year ago and were larger than any July in our 18-year records with the exception of 1923. Carloadings of all of the other major commodity groups except grains and livestock were also larger than in July last year. Total carloadings were 15 per cent larger than July 1936.

Retail trade at both city and country department stores in July continued to be larger than in the same month last year. The increase at city stores was somewhat greater than at country stores but sales at the country stores for the first 7 months of 1937 were slightly larger than sales at city department stores in the same period. July 1937 sales were above those of July 1936 in all sections of the District except the Plains section of Montana and Southwestern North Dakota.

Retail Trade

	No. of Stores	% July 1937 of July 1936	% 1937 of 1936
Mpls., St. Paul, Duluth-Superior	20	110	106
Country Stores	378	106	107
Minnesota—Central	27	113	113
Minnesota—Northeastern	13	109	114
Minnesota—Red River Valley	9	116	110
Minnesota—South Central	29	106	107
Minnesota—Southeastern	17	112	115
Minnesota—Southwestern	37	106	105
Montana—Mountain	7	111	102
Montana—Plains	32	99	104
North Dakota—North Central	15	112	107
North Dakota—Northwestern	10	112	112
North Dakota—Red River Valley	22	104	101
North Dakota—Southeastern	25	102	105
North Dakota—Southwestern	5	84	100
South Dakota—Southeastern	13	106	101
South Dakota—Other Eastern	48	105	102
South Dakota—Western	10	112	96
Northern Wisconsin and Michigan	34	106	113
West Central Wisconsin	35	103	111

Mining activity in the District during July was greater than in any July since 1929. Iron ore shipments were the largest for July on record and were larger than in any month in the last 8 years. The production of copper, silver and gold and the number of employees engaged in those industries, were larger than in any month since early in 1929 except for the last few months and September and October last fall.

Other indicators of business volume that showed increases over July of last year were electric power consumption which showed an increase of 20 per cent, linseed product shipments, butter production and wholesale sales of hardware and shoes. There were decreases in building permits issued and contracts awarded, warranty deeds and mortgages recorded, flour production and shipments, grain and livestock marketings and wholesale grocery sales.

Business failures as reported by Dun & Bradstreet were only one-third of the number of failures in July last year and there was a very substantial decrease in the liabilities. The number of non-farm real estate foreclosures in June, as reported by the Federal Home Loan Bank Board at Washington, was 8 per cent larger than in June 1936.

DISTRICT SUMMARY OF BANKING

City Member Banks. Demand deposits at weekly reporting city member banks in this District declined $12 million during the five week period ended August 18 and time deposits increased $1 million. Loans to customers increased seasonally by about $9 million to $165 million, the largest total since late in 1935. There was a decrease of only $1 million in investments, necessitating a reduction of about $19 million in reserve balances and balances due from correspondents. On August 18, loans to customers were $18 million larger and investments about $13 million smaller than on the comparable date last year.

Country Member Banks. Between the last half of June and the last half of July, gross demand deposits at country banks decreased $5 million, all of which was met by decreases in reserve balances with us. Balances due from correspondents increased slightly. Between the last half of July this year and the same period a year ago, there was a small increase in gross demand deposits, a larger increase in time deposits, an increase in reserve balances with us, and a net increase of about $25 million in earning assets, which caused a reduction of $19 million in balances with other banks.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Our estimates of farmers' cash income in the District from the sale of six important products totalled $37 million in July as compared with $36 million in July last year. It was the largest July income since 1930. Increases in income from dairy products, bread wheat, and rye more than offset the decrease in income from hogs, durum wheat and flax which were all smaller because of greatly reduced marketings. These estimates do not include government payments.

USDA farm income estimates for the four states Minnesota, Montana, North and South Dakota for June 1937 were 82 per cent of June 1936. Income from crops, livestock and livestock products and government payments were all substantially lower than one year earlier.

Prices of bread wheat, corn, oats, and rye were higher than in July last year but durum wheat, barley and flax were somewhat lower. Livestock prices, with the exception of ewes, were well above the July 1936 level, some of them reaching the highest levels of the recovery movement. The University of Minnesota farm product price index for July was 97, ten points below the year's high in February, but eleven points above July 1936.

Livestock and Livestock Products

Receipts of cattle at South St. Paul during July were larger than in the preceding month, but were only 70 per cent of the July 1936 volume which was greatly increased by drouth-forced marketings. Cattle receipts for the first seven months of 1937 were 428 thousand head compared to 517 thousand head in the same period last year. Receipts of calves were smaller than in the preceding month and smaller than in July last year, but were 23 per cent larger for the first seven months of 1937 than for the same period in 1936, chiefly because of the large increase in Canadian calf receipts. Demand was broad for all classes of cattle throughout the month and heavy steer prices reached a peak of $15.75, the highest price since the summer of 1929. Marketings of grassy cattle increased sharply during the first 2½ weeks of August. The supply of fed steers continued small and prices rose, one lot selling August 17 at $16.50, the highest price since November 1928.

Imports of Canadian beef cattle increased during July and the first two weeks of August, partly because of the drouth in the western provinces, and partly because shippers were attempting to have their shipments in the United States before the 1937 reduced rate quota was completely filled. The current year's quota of 156 thousand head was reached August 20. 1937 dairy cattle imports to August 12 were 5 per cent less than in the same period last year and the quota was only 38 per cent filled. Canadian calf receipts to August 12 were nearly twice as large as in the same period in 1936. The 1937 calf quota was filled in June, but imports have shown no reduction and the full duty has been paid on more than 23 thousand head that have since been received.

Shipments of stocker and feeder cattle in July were considerably larger than in June but totalled only 16 thousand head compared with 29 thousand head in July last year. Lack of feed in early July and harvesting in the latter part of the month decreased country demand. Local dealers and slaughter house buyers absorbed the relatively small supplies not used for country shipments. July prices were slightly above the June level and were well above July last year.

In early August supplies were increased by heavy western cattle receipts. Trade continued active as a result of broadened demand. Higher prices for fed cattle strengthened feeder prices and heavy steers rose to $10.50, the highest price since June 1930.

Dairy cow prices during July and the first part of August reflected the narrow demand for ordinary grades. After mid-July, however, a broad shipping demand for heavy, choice grades developed and prices recovered a full $10 per head from the low of early July. At mid-August trade was active, demand broad and the price range was $85-$40.

Hog receipts at South St. Paul were smaller than in June and little more than half as large as in July last year. Receipts for the first seven months of this year were 801 thousand head compard to 827 thousand in the same period last year. A shortage of farm raised feed and the high cost of purchased feed

sent a larger than usual percentage of last year's pig crops to market last spring and early summer with the result that packing sows were about 60% of the total receipts in July compared with only 40-45 per cent in July last year. The average weight of hogs in July was 265 pounds, the heaviest for July since 1931. Prices continued to rise during July and were well above July 1936. Marketings were light during the first 2½ weeks of August. Prices were strong, a "top" of $13.25, the highest since 1928, being established on August 9.

Sheep and lamb receipts increased seasonally to more than twice the June volume, but were slightly less than July 1936. Receipts for the first seven months of 1937 were nearly one-fifth larger than for the same period last year. Generous supplies of sheep and lambs prevented prices of these classes from following the sharply upward trend of other meat animals. Lambs were somewhat higher than in June and slightly above last July but ewes were a little lower. During the first 2½ weeks of August, receipts increased as a result of marketings of western lambs. Trade remained active and a broad demand for feeders resulted in a narrowing of the spread between killer and feeder prices.

The 1937 lamb crop in the United States was slightly smaller than in 1936 largely because of a sharp decline in the percentage of lambs saved in the western states especially in South Dakota and California. Because of the heavy movement of breeding flocks out of the drouth areas of Montana last year, the extent of which has not been actually determined, the lamb crop in that state may be overestimated as some of the ewes carried in the Montana totals may have been in other states at lambing time.

Cold storage holdings of butter and cream were about normal on August 1, but holdings of cheese continued well above the five year average, in spite of a slightly smaller than usual increase during July. Holdings of eggs showed little change during the month but poultry holdings declined much more than seasonally to the smallest total since September 1 last year, although they were still far above the August 1 average. Because of the largest monthly withdrawals of pork in many years, resulting from the current sharp decline in hog slaughterings, stocks of pork have dropped precipitously during the summer from the far above normal level of last winter and spring to nearly 20 per cent below normal on August 1. Storage stocks of beef were reduced contra-seasonally in July, a result of the small decline instead of the usual small increase in July slaughterings. Total meat holdings decreased more than 132 million pounds compared with an average decline for the month of slightly more than 9 million. August 1 lard holdings reflected the much smaller slaughterings of recent months and were only a little larger than normal for the first time since early last winter.

Livestock slaughterings in the United States in July were 12 per cent below June and 21 per cent smaller than in July last year. Slaughterings of all classes of meat animals in July were below the five year average with hogs and cattle showing the largest decreases. July slaughterings normally average about 7 per cent less than June.

The poultry situation changed but little during July except that poultry withdrawals from storage were much larger than average. Hatchings for this season were estimated by the USDA to be 15 per cent smaller than for 1936 which points to a reduction in 1938 laying flocks and probably smaller egg supplies. While the feed-egg ratio was higher in July than at any time prior to 1937, it declined to the lowest point of the current year. According to the USDA report, the feed-egg ratio is quite unlikely to go as low as the average this fall as egg prices are not expected to rise as much as usual.

CROPS

The better-than-average crop prospects of July 1 were fairly well maintained during the month. The August 1 estimates for winter wheat, rye, corn, oats, barley and hay were all about as large, or larger, than the 10 year average. Rust caused some deterioration in both yield and quality of bread and macaroni wheats during the first half of July but was checked by weather unfavorable to its development and the damage was much less than anticipated. In several relatively small areas, rust damage was severe to all varieties of bread spring wheat except THATCHER which, as in the last year of heavy rust infestation, 1935, showed practically no damage.

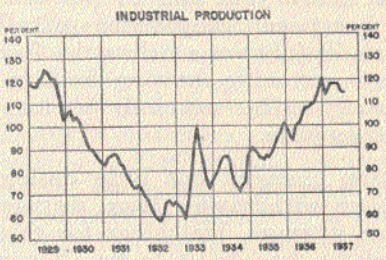
As a result of better prospects in North Dakota the district flax forecast on August 1 was higher than on July 1 and because of favorable weather, the district corn forecast was a little larger than a month ago. Potato prospects decreased slightly during July, but the August 1 forecast indicated an about average surplus for shipment out of our district.

Recent reports from various sections of Minnesota indicated that grasshoppers were much more numerous than for many years and were doing some damage to late field crops, alfalfa and gardens, and that some livestock was suffering from the unusually large number of flies and mosquitos.

August 1, 1937 Production Forecasts for Minnesota, Montana, North Dakota and South Dakota with Comparisons

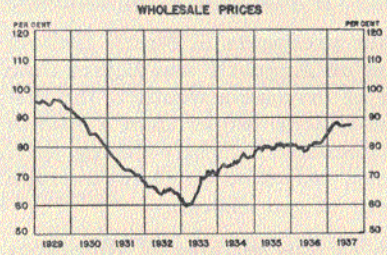
(Thousands of Bushels except Hay)

	Aug. 1 1937	July 1 1937	1936	10-year Average
Bread Spring Wheat	103,764	119,656	39,815	114,984
Durum Wheat	28,264	29,566	8,227	40,372
Winter Wheat	13,887	14,321	7,826	13,596
Rye	27,284	26,761	8,471	19,478
Flax	6,791	6,352	4,950	13,047
Potatoes	37,573	38,182	19,975	40,650
Corn	234,837	226,972	99,847	214,245
Oats	237,242	255,491	114,062	214,268
Barley	102,603	114,426	45,917	103,427
All Hay (Tons)	13,453	14,224	8,504	11,747

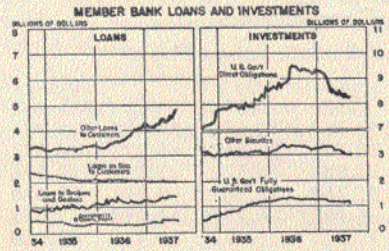


Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to July 1937.

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



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ended August 14, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to August 18, 1937. Loans on real estate and loans to banks excluded.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AUGUST 26, 1937

Total volume of industrial production and distribution of commodities to consumers showed little change from June to July, when allowance is made for the usual summer declines.

PRODUCTION AND EMPLOYMENT: The Board's seasonally adjusted index of industrial production was 114 per cent of the 1923-1925 average in July, the same as in June and 4 points lower than in March, April, and May. At steel mills, where output in June had been curtailed by strikes, activity increased considerably in the early part of July and was maintained at the higher level between the middle of July and the third week of August. Lumber production also increased in July, while output of plate glass showed a substantial decrease. Automobile assemblies declined seasonally. Output of non-durable manufactures decreased considerably, owing largely to a marked decline in activity at cotton and woolen textile mills. Meat packing also declined, while flour milling and sugar refining increased. At mines, output of anthracite was reduced in July, while output of most other minerals showed little change.

Construction contracts awarded, as reported by the F. W. Dodge Corporation, were maintained in July at the level reached in June. Non-residential construction expanded further, reflecting principally a large volume of awards for iron and steel plants and for railroad projects. Residential building showed a seasonal decline.

Factory employment increased somewhat from the middle of June to the middle of July, when a decline is usual, and factory payrolls decreased less than seasonally. The largest increases in employment were in the steel industry and in the food industries, particularly at canning factories. Other manufacturing industries as a group showed somewhat less than the usual seasonal decline.

AGRICULTURE: A cotton crop of 15,593 thousand bales, representing an increase of 3,200 thousand bales over last season, was forecast by the Department of Agriculture on the basis of August 1 conditions. Official estimates indicate that other major crops will be considerably larger than last season and about equal to the average for 1928-1932. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including government payments, will total $9 billion for the calendar year 1937, an increase of 14 per cent over 1936.

DISTRIBUTION: Distribution of commodities to consumers in July continued at the level of other recent months, when allowance is made for the usual summer decline. Sales at department stores and variety stores showed slightly less than the seasonal decrease in July, while mail order sales declined somewhat more than seasonally. Freight carloadings increased, reflecting in part larger shipments of grains and forest products.

COMMODITY PRICES: From the middle of July to the third week of August prices of grains and cotton declined substantially, while livestock and meats showed a further increase. Automobile prices were raised by most producers, carpet prices advanced, and there were increases in several industrial raw materials, including hides, zinc, lead, and steel scrap. Cotton goods and rubber declined somewhat.

BANK CREDIT: From the middle of July to August 4, excess reserves of member banks were sharply reduced from $960 million to $700 million, but subsequently they increased to $780 million on August 18. These changes in member bank reserves reflected principally fluctuations in the volume of Treasury deposits at Federal Reserve banks, together with a seasonal increase in money in circulation. Excess reserves at New York City banks declined from $230 million to about $40 million and subsequently increased to $130 million. Total loans and investments of reporting member banks increased somewhat during the four weeks ended August 18, reflecting principally an increase of $150 million in commercial loans offset in part by a further decline in holdings of United States Government obligations, principally at New York City banks. The growth in commercial loans occurred both in New York City and in other cities and included the purchase by banks of a large portion of the $60 million of 9-month notes sold by the Commodity Credit Corporation on August 2.

United States Government deposits at reporting banks increased during the period, reflecting purchases by banks of Treasury Bills on a book-credit basis. Bankers' balances and other demand deposits showed further declines at New York City banks.

MONEY RATES: Rates on Treasury Bills declined slightly after the middle of July and open market yields on Treasury notes and bonds also declined until early in August, but later there was a rise in yields. In the latter part of August discount rates were reduced from 2 per cent to 1½ per cent at the Federal Reserve banks of Atlanta, Chicago and Minneapolis. The 2 per cent rates had been in effect since early in 1935.