MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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Indexes of miscellaneous and L. C. L. carloadings rose in November but other business indexes declined. Loans to customers and demand deposits declined at city banks but demand deposits increased at country banks. Grain marketings continued large but livestock marketings were far below the 1936 level.

BUSINESS

The volume of business in November was slightly below that of the preceding month and of November last year. While most of our indexes were lower in November than in October, they were not at the low for the year with the exception of our general bank debits index which was lower than in any month since October 1936. The L. C. L. carloadings index was higher than in November last year.

Northwestern Business Indexes

(1929-31=100)

	Nov. 1937	Oct. 1937	Nov. 1936	Nov. 1935
Bank debits—94 cities	83	86	84	73
Bank debits—farming centers	89	96	93	78
Country check clearings	151	151	154	133
Department store sales	94	98	94	91
Department store stocks	84P	86	80	79
Rural retail trade	94P	97	91	92
Country lumber sales	83E	101	94	76
Miscellaneous carloadings	91	87	106	87
L. C. L. carloadings	69	68	68	64

E—Estimated.

The index of stocks on hand at department stores declined during November for the first time since 1931. The November 30 level, however, was higher than any other November 30 since 1931. During November last year the department store stocks index rose from 78 to 80 compared with the decline of 2 points in November this year.

Rural retail trade during November continued to reflect the larger 1937 farm income from the sale of grain. Rural trade conditions were quite spotted throughout the district, 12 sections reporting increases up to 15 per cent greater than in November last year and 5 sections reporting a lesser volume than in November 1936. The large increases over November last year that were reported by those sections where income from the sale of grain is of greatest importance, more than offset the decreases reported by the sections where the income is chiefly derived from the sale of dairy products and hogs. Cumulative sales for 11 months for 445 rural stores continued to be 6 per cent larger than in the same period in 1936 but cumulative sales at 21 city stores dropped to a 4 per cent increase.

Preliminary reports on the dollar volume of sales at city department stores during the first half of December indicates some decrease when compared with the first half of December 1936. More recent reports on the volume of sales since the 15th of December vary widely, some stores reporting a decided improvement and other stores reporting no change.

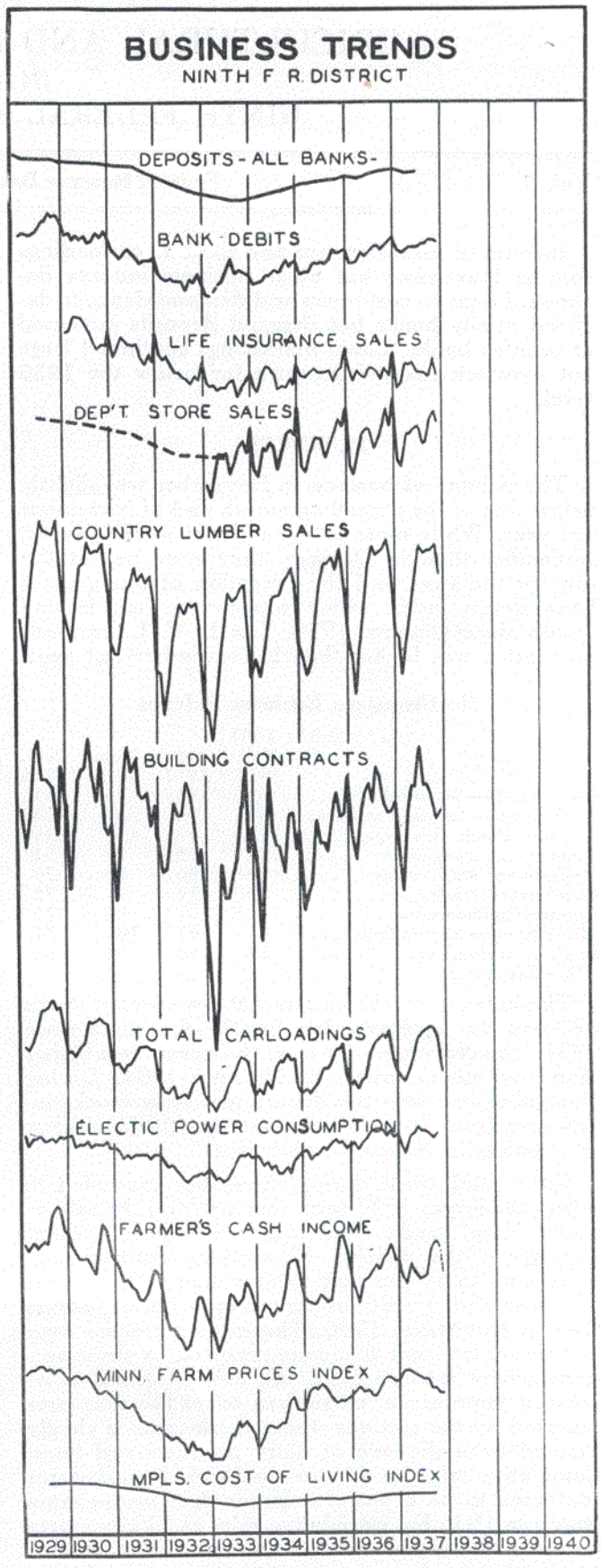
Bank debits at Minneapolis and in the mining and lumbering sections of the district averaged as large or larger during November as in the same month a year ago and very slight declines were reported by St. Paul, Great Lakes Ports and the wheat and dairy mixed farming sections. For the year to date, the bank debits total for the district is about 7 per cent larger than in the corresponding period last year. The total in each section of the district with the exception of the city of South St. Paul and the southwestern beef and pork raising section is larger than in 1936, an increase of 19 per cent being shown by the Great Lakes Ports.

Business failures in this district during November were again larger than in the preceding month both in number and liabilities. The number of failures during 1937 to date, however, is nearly one-fifth smaller than in the same period last year and the total liabilities are more than 20 per cent below the 1936 level. The number of non-farm real estate foreclosures in October was about half as large as in October last year, reducing the 1937 ten-month total to only 97 per cent of the number in the first ten months of 1936 despite the large increases during the first half of the year.

Production of flour and flour and linseed product shipments during November continued to be larger than in the corresponding month one year earlier, but the total for 11 months of 1937 was somewhat below the 1936 total because of the smaller volumes handled during the early months of the year.

Other indicators of business volume that have been higher in 1937 than in 1936 are the number and valuation of building permits, residential contracts awarded, the number of warranty deeds recorded in Hennepin and Ramsey counties, electric power consumption in Minnesota and the Dakotas, the output of copper and silver, iron ore shipments, new car sales in North Dakota, life insurance sales, and wholesale grocery, hardware and shoe sales. During the first 11 months of 1937, electric power consumption in Montana, mortgages recorded in Hennepin and Ramsey counties and creamery butter production in the district were smaller than in the same period in 1936.

In response to numerous requests for current information regarding some of the statistical series occasionally discussed in our Review, the accompanying chart has been prepared. Curves on the chart represent actual figures plotted on semi-logarithmic scales. If a sufficient number of requests are received, curves representing other statistical series may be added.



BANKING

Country member bank deposits increased $3 million between the latter half of October and the latter half of November as a result of increases at Minnesota, Montana and South Dakota banks which were only partly offset by decreases at banks in the other states. There was no change in earning assets nor in reserves with this Federal Reserve Bank. All of the increase was added to balances with city correspondents. Compared with the latter half of November 1936, demand deposits were down $12 million, part of which was transferred to time deposits during the year. Time deposits showed an increase of $8 million and reserves with the Federal Reserve Bank of Minneapolis were down $3 million.

Total city member bank deposits dropped $11 million during the 5 week period ended December 15. Most of the decrease was used by customers to retire $9 million of borrowings. During the 5 week period reporting member banks transferred $5 million from their reserve accounts with this bank to accounts with other banks.

The decrease of $38 million in deposits between the middle of December 1936 and the middle of December 1937 was about equally divided between commercial demand deposits and inter-bank funds. Public funds were the only class of deposits to show an increase.

Despite the recent decline in the volume of outstanding loans to customers, they were still $15 million larger on December 15 than at the middle of December 1936. The amount of commercial paper held and "other" stocks, bonds and securities owned were a little smaller than at the middle of December last year and the holdings of direct and indirect government securities were down $24 million. Balances due from commercial banks showed a decrease of more than $20 million during the year, about one-third of which was added to reserve balances with us.

AGRICULTURE

Farm Income and Prices

Our estimate of Ninth District farmers' cash income from the sale of 7 principal farm products in November was 19 per cent below that of November last year. The income from the sale of flax was only half as large and from the sale of hogs only a little more than half as large as in November last year. The income from the other grains and potatoes was larger than in November 1936 but income from the sale of dairy products was slightly smaller.

During the first 11 months of 1937 our estimates of farmers' cash income excluding government payments totaled 8 per cent more than in the same 11 months last year, the income from each item with the exception of dairy products and hogs being greater in 1937 than in 1936.

The USDA estimate of farmers' cash income for October was very slightly larger than in October 1936. Increases of 31 per cent in North Dakota and 21 per cent in South Dakota were the direct result of larger grain marketings.

Prices of all grains were lower in November than in the preceding month and in November last year. Livestock prices showed mixed trends when compared with a year ago. She-stock and other classes of cattle suitable for replacement and feeding were definitely higher and also lambs and ewes, but most of the heavy butcher classes were lower. Hog prices declined $2 a hundredweight, the sharpest decrease in any one month since November 1920. The November farm price index of the University of Minnesota was unchanged from October and at 81 was 12 points below the 93 for November last year.

A gross cash income of $305 million from the sale of 16 important Minnesota farm products for 1937 has been estimated by the University of Minnesota. This is $2 million higher than in 1936 and the highest since 1930. The physical volume of farm products sold in 1937 was a little smaller than in 1936 but it is expected that the volume in 1938 will be greater than in 1937. Present prospects are for a lower level of agricultural prices, however, so that a gross cash income in 1938 of about the same level as in 1937 appears probable, according to the University report.

The following is quoted from "The Outlook for Demand and Prices in 1938" issued by the USDA: "The demand for farm products probably will not be as favorable in 1938 as in 1937, according to the Bureau of Agricultural Economics. This outlook is based upon an analysis of the general situation, which indicates that in the fall of 1937 the upswing of the business cycle has been temporarily halted. Although it is impossible to determine definitely to what extent the present recession will continue into 1938, the chances appear to be against a sufficiently early and vigorous rise in 1938 to bring the average of industrial activity and of consumer incomes for that year up to that of 1937. Foreign demand is expected to show little, if any, improvement."

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul decreased seasonally during November and were well below the November 1936 total. Receipts of cattle during the first 11 months of 1937 were 17 per cent smaller than in the same period last year. Calf receipts, however, were 7 per cent larger in 1937 than in 1936. A large part of the late November and early December receipts were partly finished cattle that were taken out of corn lots because of approaching winter weather or were being marketed ahead of the Canadian shipments that will start after the first of the year when the new quota becomes effective.

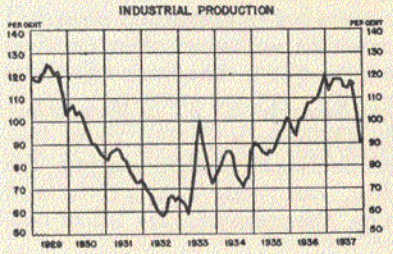
Heavy butcher steers brought $8.25 in November compared to $9.25 in October and $10.50 in November 1936. Prices declined further during the first half of December, but with hog prices still lower than cattle prices, the demand for killer cattle continued weak.

Hog receipts at South St. Paul during November showed the usual increase over October, but were only two-thirds the volume of the same month last year. Receipts for the first 11 months of 1937 were one-quarter smaller than in the same period in 1936. In spite of smaller receipts the price dropped from $10.10 in October to $8.10 in November, the sharpest decline since the latter part of 1920. The November 1936 hog price was $9.10.

Receipts of sheep and lambs at South St. Paul decreased during the month and were 12 per cent smaller than in November last year. Receipts for the first 11 months of 1937 were 15 per cent smaller than in the same period last year. Prices of fat lambs declined during the latter part of November and the first two weeks of December as dressed lamb prices worked lower. Demand, however, remained fairly broad. In the first half of December the "top" for fat lambs was $9.25, compared to $10.25 in early November.

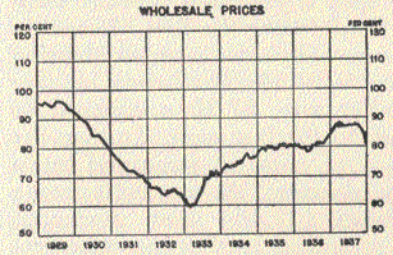
Shipments of feeder cattle from South St. Paul decreased seasonally during November and were about 3 per cent less than a year ago. Feeder shipments from South St. Paul during the first 11 months of 1937 were 18 per cent below the number shipped during the same period in 1936. The heavy stocker steer price in November was $7.50 compared to $6.50 in October and $5.00 last year. During the first 16 days of December demand remained fairly broad and prices were stronger. At current average prices for butcher steers ($7.75) corn marketed through fat steers by standard feeding practices returns approximately 70 cents per bushel. The Minneapolis November corn price was 49⅝ cents per bushel.

Cold storage holdings of all classes of meat on December 1 were substantially below the 5-year average for that date. Slaughterings of cattle and calves were normal, but sheep and hog slaughterings were smaller than usual. In spite of the smaller hog slaughterings, pork holdings increased more than seasonally. Stocks of lamb and mutton decreased instead of showing the usual increase during November. Stocks of lard decreased and on December 1 were only 43 per cent of the 5-year average. Holdings of cream and butter were below normal, whereas cheese stocks were higher than usual. Eggs in storage decreased by less than the usual amount and were about 46 per cent above the 5-year average. Poultry holdings increased less than seasonally, but were 4 per cent larger than the December 1 average.

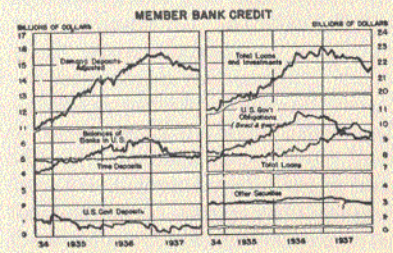


Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to November 1937.

Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to November 1937. Indexes compiled by the United States Bureau of Labor Statistics.



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 December 18, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to December 15, 1937.

National Summary of Business Conditions

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

In November, the volume of industrial production continued to decline sharply. Employment and payrolls also decreased. During the first half of November commodity prices declined further but for the past month they have been steady.

PRODUCTION AND EMPLOYMENT: The volume of industrial output, as measured by the Board's seasonally adjusted index, declined from 103 per cent of the 1923-1925 average in October to 90 per cent in November, reflecting chiefly a sharp reduction in the manufacture of durable goods. There was a further curtailment of activity at steel mills and output for the month was at a rate of 38 per cent of capacity, a decline of one-third from October. In the first three weeks of December, steel production was about 28 per cent of capacity. Output of lumber and plate glass also declined substantially in November, and automobile production showed considerably less than the usual seasonal increase. Production of non-durable goods, which had decreased by a substantial amount earlier this year, declined further in November, reflecting a continued reduction in output of textiles and shoes, partly offset in the total by an increase in activity at sugar refineries. Output of minerals, as well as manufactures, declined in November. There were marked decreases in output of bituminous coal and in iron ore shipments, while crude petroleum production continued in large volume.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in November and the first half of December. Awards for privately-financed projects declined, reflecting chiefly a further reduction in residential building, while contracts for publicly-financed work increased.

Employment and payrolls at factories showed an unusually sharp decline between the middle of October and the middle of November, and there were also decreases in the number employed in trade and other non-manufacturing lines. The Board's seasonally adjusted index of factory employment was at 94 per cent of the 1923-1925 average in November as compared with a level of 102 last summer and 96 in November last year. In the steel, machinery, lumber, and textile industries the number employed decreased by substantially more than the usual seasonal amount, and there was some decline at automobile factories, although an increase is usual at this season. There were declines also in the seasonally adjusted indexes for most other lines, except foods and tobacco which showed little change.

AGRICULTURE: Department of Agriculture estimates recently issued indicate that most crops will be about the same size as forecast earlier but that cash farm income will be lower than had been anticipated, largely because of price declines both for crops and livestock. Cash income in 1937 is expected to be $8,500,000,000 as compared with $7,918,000,000 in 1936. The increase over a year ago is due primarily to increased income from marketings of wheat, tobacco, and fruits and to larger government payments.

DISTRIBUTION: Distribution of commodities to consumers, which earlier had been maintained, declined slightly in November. There was a slight decline in sales at department stores, and mail order sales decreased considerably, while sales at variety stores showed little change. Preliminary information for the first half of December indicates that department store sales increased by approximately the usual seasonal amount.

Carloadings declined by considerably more than the seasonal amount in November and the Board's adjusted index for that month was 71 per cent of the 1923-1925 average as compared with 76 per cent in October and an average of 81 per cent in the first half of the year. The decline from October to November reflected principally marked decreases in loadings of coal and miscellaneous freight.

COMMODITY PRICES: The general level of wholesale commodity prices, which had declined sharply from the latter part of September to the third week of November has shown little change since that time. Prices of non-ferrous metals, leather, wood, textile yarns, and finished cotton goods have declined somewhat further in this period, while steel scrap, hides, rubber, cotton, print cloths, and bituminous coal have recently shown some advance.

BANK CREDIT: Excess reserves of member banks showed a small decline but for the first three weeks of December remained somewhat over $1,000,000,000. The increase in demand for currency during December has been smaller than usual, reflecting largely the effects of the recent sharp decline in business activity and payrolls.

Total loans and investments of reporting member banks in 101 leading cities increased somewhat during the four weeks ended December 15, reflecting a growth of $190,000,000 in holdings of United States government obligations, mostly in New York City. A factor in this increase was the purchase by banks of the December 15 issues of government securities. Commercial loans, which had begun to decline in October showed a further reduction.