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

Vol. 7 (Serial No. 295) Federal Reserve Bank, Minneapolis, Minn. July 28, 1939

Business volume in our district declined slightly in June after increasing in March, April and May. Bank deposits and reserves set new records in late June and early July. Farm income exceeded that of May despite small price declines.

BUSINESS

The volume of business in June in our district, measured by our seasonally adjusted indexes, was a little lower than in May but far above the level in June last year. Total carloadings and city department store sales were the only indexes that were higher in June than in May but all of our indexes were higher than in June 1938. Our index of lumber sales in board feet at country lumber yards which has been unusually high since early last fall dropped sharply in June but the rural department store sales and the farming centers bank debits indexes declined only moderately. The total carloadings index was the highest for any month since October 1937.

Northwestern Business Indexes
(1929-1931=100)

	June 1939	May 1939	June 1938	June 1937
Bank debits—94 cities	85	92	77	88
Bank debits—farming centers	89	92	84	93
Country check clearings	145	153	135	155
City department store sales	95	94	92	96
City department store stocks	81	81	79	85
Rural department store sales	97	99	95	102
Country lumber sales	97	113	85	97
Miscellaneous carloadings	81	83	67	96
Total carloadings (excl. miscellaneous)	73	71	55	101

Building contracts awarded in June as reported by the F. W. Dodge Corporation declined sharply from the high level of the preceding months and were only slightly larger than in June last year. Residential building was one-sixth smaller in June than in May and commercial and factory building was little more than half as large as in May. Public works contracts declined only slightly in June and public utilities contracts increased by 55 percent. As a result, total construction contracts in June declined only 14 percent from the May level and exceeded the June 1938 volume by about the same percentage.

Building permits issued in 53 cities in June were well above those issued in June last year in both number and amount but the increase over the same month in the preceding year was far less marked in June than in preceding months. Permits for new construction accounted for about four-fifths of the total and showed a little larger increase over June 1938 than permits for building modernization and repairs. The average size of permits for both new construction and repairs, however, was a little smaller than in June last year. Unusually large increases in building when compared with a year ago were reported by Aberdeen, South Dakota and Fairmont & International Falls, Minnesota.

Warranty deeds and mortgages recorded in Hennepin and Ramsey Counties in June were fewer in number than in May but much larger than in June last year.

Department store sales in June were 3 percent larger than in June last year with the increase at city stores slightly exceeding the gain at country stores. Sales in each state in our district were as large or larger than in June 1938 but were a little smaller in five of the reporting sections. Stores located in the vacation-land sections of our district, northeastern Minnesota, northern Wisconsin and the upper peninsula of Michigan, reported the largest increases, 11 percent. Sales for the first half of 1939 were 4 percent larger than in the first half of 1938. **Collections** as reported by 45 stores were better in June than for several months, resulting in some reduction in the volume of outstanding **accounts and notes receivable** despite the increased sales volume. Total receivables on June 30, however, were the largest for that date, with the exception of 1937, in the last five years.

Sales at Department Stores

	No. of Stores	% June 1939 of June 1938	Cumulative % 1939 of 1938
Mpls., St. Paul, Duluth-Superior	21	103	103
Country Stores	423	102	104
Minnesota	146	103	105
Central Minnesota	28	104	105
Northeastern Minnesota	16	111	107
Red River Valley Minnesota	11	108	105
South Central Minnesota	33	99	102
Southeastern Minnesota	16	98	101
Southwestern Minnesota	42	101	107
Montana	46	104	109
Mountain	11	99	102
Plains	35	108	113
North Dakota	77	100	100
North Central North Dakota	13	104	100
Northwestern North Dakota	11	97	98
Red River Valley No. Dakota	25	100	101
Southeastern North Dakota	23	101	101
Southwestern North Dakota	5	105	102
Red River Valley—Minn., N. D.	36	102	101
South Dakota	84	101	105
Southeastern South Dakota	19	100	103
Other Eastern South Dakota	54	101	106
Western South Dakota	11	106	107
Wisconsin and Michigan	70	103	101
Northern Wis. and Mich.	35	111	102
West Central Wisconsin	35	97	100
Total District	444	103	104

Business failures in June were fewer in number but larger in amount than in May. Both number and amount were smaller than in June 1938. **Non-farm real estate foreclosures** in May were more numerous than in the preceding month but less than in May last year.

The volume of production in our district in June as indicated by several unadjusted indicators was a little lower than in May but higher than in June last year. **Electric power consumption** in May was a little larger than in April and the Minnesota **employment index** rose in May to 101.9 from 99.4 in the preceding month. The **number of employees** at copper, gold and silver mines in the district decreased slightly in June to the lowest end-of-the-month total since last October. **Flour production** both at Minneapolis and at other northwestern mills decreased during the month but **flour shipments** were a little larger than in May. **Linseed product shipments** from Minneapolis declined last month by much less than the usual seasonal amount. The **cut of lumber** in June failed to equal the May volume but a strong demand for deliveries resulted in **lumber shipments** that were well above the volume of the preceding month.

Compared with last year, **electric power consumption** in May was 10 percent larger and the Minnesota **employment index** 7 percent higher. There were nearly one-third more **workers at copper, gold and silver mines** on June 30 this year than one year earlier. Total northwestern **flour production** was nearly as large in June as one year earlier, the small increase at outside mills almost equalling the decline at mills in Minneapolis. **Flour shipments** from Minneapolis were smaller but **linseed product shipments** were slightly larger than in June 1938. The **cut of lumber** was larger in June than a year ago and **lumber shipments** by manufacturers were more than half again as large as in the same month last year.

Iron mining activity increased seasonally in June to twice the volume of June last year. Iron ore **shipments** were the largest for June since 1930 with the exception of 1936 and 1937. The outputs of gold, silver and copper were all a little smaller in June than in May, but were well above the levels of June 1938.

Other business volume indicators that were as high or higher in June than in the same month last year were total sales at country lumber yards, life insurance sales, sales of new passenger cars & trucks in Minnesota, Montana & North Dakota, net telephone installations in the Twin City area and wholesales of groceries, electrical goods, plumbing & heating supplies, hardware, tobacco & other miscellaneous lines. Wholesales of automotive supplies were a little smaller in June this year than in June 1938.

BANKING

Country member bank deposits rose rather sharply between the latter half of May and the latter half of June to the highest level since November 1937. Earning assets however were unchanged, all of the $9 million deposit increase being redeposited with correspondent banks or with us. As a result excess reserves with us mounted to $18.5 million, the largest total in the last two years. Compared with the latter half of June 1938, deposits were up $15 million, earning assets were $5 million larger and balances with other banks and with us were up $10 million.

City member bank deposits also rose sharply during June and continued to rise during the first half of July, reaching an all-time high of $580 million on July 12. Half of the $26 million increase during the six weeks ended July 12 was in inter-bank deposits and the other half was divided between deposits of individuals, partnerships & corporations and state, county & municipal deposits. Loans to customers increased about $5 million during June but remained unchanged during the first half of July. Balances with other banks were increased $23 million and reserves with us decreased $2 million. As a result, total reserves (cash, due from other banks and Federal Reserve balances) reached a new all-time high point, $258 million, on July 12.

Deposits at all member banks during the second quarter of 1939 increased sharply to the highest point since the end of 1936. While deposits at country (non-weekly reporting) banks increased slightly, $38 million of the $45 million increase occurred at the 20 weekly reporting banks in this district. Total earning assets, however, were practically unchanged between the end of March and the end of June and remained slightly lower than at the end of last year when the deposit total was smaller than at mid-year. While total earning assets and the three smaller classes of earning assets were practically unchanged, loans and discounts increased $14 million and holdings of government securities decreased by about the same amount. This shift in classes of earning assets was noticeable at both weekly reporting and at non-weekly reporting banks but was a little more marked at the country banks. Comparable figures for selected items from call reports of the two groups of banks are shown in the accompanying table.

Selected Items from June 30, 1939 and March 29, 1939 Call Reports, in Millions of Dollars

	20 City (weekly reporting) Banks			440 Country (non-weekly reporting) Banks		
	6-30 1939	3-29 1939	Change	6-30 1939	3-29 1939	Change
Total Loans and Discounts	$162	$155	$+ 7	$145	$138	$+ 7
U. S. Govt. Securities	168	176	— 8	129	133	— 4
Sec. of States, Counties, Municipalities, etc.	24	23	+ 1	51	52	— 1
"All Other" Securities	18	18		45	47	— 2
Total Earning Assets	$372	$372		$370	$370	
Ind., Part. & Corp. (dem.)	$243	$224	$+19	$168	$165	$+ 3
Ind., Part. & Corp. (time)	118	119	— 1	231	231	
U. S. Government	2	2		3	4	— 1
State, Co. & Mun., etc.	70	56	+14	55	51	+ 4
Due to Banks	129	126	+ 3	16	16	
"All Other" Deposits	9	6	+ 3	5	4	+ 1
Total Deposits	$571	$533	$+38	$478	$471	$+ 7

Bills discounted by this bank for member banks more than doubled between the middle of June and July 12 and **current industrial loans** increased sharply to more than $900 thousand, with a corresponding decrease in **industrial loan commitments. Federal Reserve notes** in circulation rose seasonally in early July but decreased sufficiently after the holiday to result in a net decline for the four-week period.

AGRICULTURE

Farmers' cash income from 7 products (excluding government payments) increased seasonally in June

and as a result of an unusually large volume of grain marketings was 8 percent larger than in June last year. Dairy product income rose sharply in June and was more than half of the $28 million total for the month but remained smaller than in the corresponding month one year earlier. Hog marketings were nearly one-third larger than in June last year but the much lower prices held the June income from hogs far below that of June 1938.

The USDA estimate of cash income (including government payments) in May was higher than in April and was much higher when compared with May 1938 than was indicated by our preliminary figures last month. The May total for our district, nearly $60 million, was more than one-quarter larger than in May last year and was the largest for that month since 1930. The estimates for each state and part state were larger than in May last year except the upper peninsula of Michigan.

Agricultural product prices were mostly lower in June than in May and lower than in June last year. Among the grains, oats was a notable exception, the June price being a little higher than in May as a result of the poorer outlook for this year's production and much higher than in June last year when an above-average size crop was in prospect. Stocker and feeder steers, both light and heavy weights, were also higher than in June 1938 but were a little lower than in May. The Ninth District wool price remained at 21 cents for June (the highest in 18 months) and was partly responsible for further strength in spring lamb prices. The Minnesota farm price index dropped from 68 in May to 63 in June, the lowest since last October. The June 1938 index was 73.

USDA July 1 indicated production estimates for cash grains in the four complete states in this district were all lower than last year's production but the estimates for flax and potatoes were higher. The flax estimate was nearly double the amount harvested last year. The corn estimate was also higher than a year ago but other feed crop estimates were lower. Compared with the 1928-37 average the estimates for cash grains, flax, corn and tame hay were larger but the estimates for both oats and barley were smaller.

Acreages planted to the 8 major crops in this district for 1939 harvest were mostly smaller than the March 1 prospective plantings estimates but there was a substantial increase in flax plantings and smaller increases in oats and barley. Unfavorable conditions prior to the early June rains, however, exacted a heavy toll with the result that the aggregate acreage remaining for harvest on July 1 was nearly 10 percent smaller than the total acreage that had been seeded to our 8 principal crops. The July 1 acreage estimates totaled about 3 percent less than the acreage harvested last year which about equalled the 1928-37 average. The improved condition of the crops on July 1, however, justified higher acre yield estimates. The 8 crop acreage total on July 1 was a little over 47 million acres compared with nearly 49 million acres harvested in 1938 and 58 million in 1932 and the 10-year average of 49 million acres. The 1939 estimate for all spring wheat was 17 percent smaller than the acreage harvested last year, a reduction of more than 3 million acres. Flax acreage increased by more than 100 percent, from 838 thousand to 1,727 thousand acres and barley increased by more than a half million acres. There were also small increases in oats, potatoes and tame hay.

USDA July 1 Crop Forecast for Minnesota, North Dakota, South Dakota and Montana with Comparisons

	1939 Indicated	1938 Harvested	1928-37 Average
(Thousand Bushels)			
Bread Spring Wheat	114,323	148,828	105,125
Durum Wheat	30,890	40,445	35,306
Winter Wheat	26,150	29,640	13,082
Rye	21,182	33,588	18,343
Flax	12,150	6,838	11,104
Barley	96,340	102,096	101,146
Oats	198,857	214,976	212,431
Corn	237,663	211,749	208,877
Potatoes	39,005	36,014	39,476
Tame Hay	7,567	8,865	7,164
(Thousand Acres Harvested)			
Bread Spring Wheat	11,411	14,086	11,224
Durum Wheat	3,095	3,545	3,379
Winter Wheat	1,347	1,441	932
Rye	2,143	2,181	1,570
Flax	1,727	838	1,929
Barley	5,207	4,661	5,369
Oats	7,165	7,074	7,762
Corn	8,550	8,612	10,028
Potatoes	444	419	528
Tame Hay	6,041	6,031	6,343

Receipts of cattle and calves at South St. Paul declined instead of increasing as usual during June but were in about the same volume as one year earlier. Grass-fed cattle from the Dakotas failed to arrive in the usual numbers because range and pasture conditions improved during the month instead of suffering the customary deterioration. During the first 6 months of 1939 only 17 thousand more cattle and calves were received at South St. Paul than during the same period of 1938 in spite of an increase in Canadian importations of about twice that amount. Cow, heifer and light steer receipts have been a smaller than normal portion of this spring's total marketings because of the building up of herds with the result that prices for these classes of cattle are higher than a year ago. Butcher steers have been a larger-than-normal percentage of marketings this spring and early summer and butcher steer prices are below those of last year. *The Beef Cattle Situation* states: "Some further increases are expected in marketings of grain-fed cattle during the next few months and marketings of such cattle probably will continue larger than a year earlier through the remainder of 1939."

During the first two weeks of July, hot weather linked with larger receipts of grass-fed cattle and the competition from low-priced pork weakened the market and prices worked lower. At mid-month the "top" for a choice steer was $9.25 compared to $9.75 in the previous week and $12.00 one year earlier.

Importation of Canadian cattle and calves into the United States during the first six months of 1939 amounted to 141 thousand head, nearly three times as many as in the same period last year and in about the same volume as in that portion of the heavy importation year of 1937. Both the first and second quarter quotas were filled a short time after their opening. On July 1 the third quarter quota became available and during the first two weeks of July 130 carloads of Canadian cattle were received at South St. Paul.

Shipments of stocker and feeder cattle and calves in June were smaller than in May but were slightly larger than a year ago. About 40 percent more stockers and feeders were shipped from South St. Paul during the first six months of 1939 than in the same period in 1938. There was a good demand for feeder and stocker cattle throughout the month but regardless of that fact prices weakened somewhat in sympathy with declining butcher cattle prices.

During the first half of July, supplies increased as grass-fed cattle from the Dakotas began to arrive in larger numbers. At mid-month the average cost of feeder and stocker steers had declined to about $7.25 as compared to $7.75 one month earlier and $7.10 in the same week last July. Average cost was therefore close to the level prevailing a year ago, although fat cattle at present are selling well below last year's level.

Hog receipts at South St. Paul during June were a little smaller than the unusually large May receipts but were about one-third larger than during June last year and the largest in any June since 1933. During the first half of 1939, hog receipts were 17 percent larger than in that period last year. *The Hog Situation* states: "Marketings of hogs during the remainder of the current hog marketing year are expected to continue larger than a year earlier." In regard to the feed situation, it reports, "After having been much above average for about a year and a half, the hog-corn price ratio has declined materially during the past two months. This ratio in 1939-40 probably will not be such as to encourage a marked expansion in the number of pigs produced, as it did from late 1937 to the spring of this year."

During the first two weeks of July receipts failed to fall off to seasonal expectations due to the heavy marketing of sows. Prices of hogs, however, failed to decline and reached a "top" of $7.10, the highest price paid since early in April. Heavy sows were selling at well over a $1.00 discount.

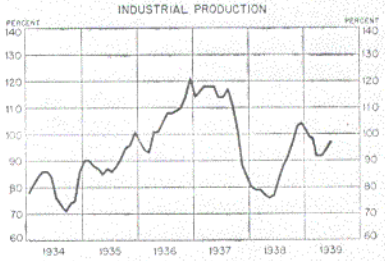
The 1939 spring pig crop in the Ninth District was estimated to be 7.5 million head compared with 5.9 million in 1938 and 4.9 in 1937. This was the largest spring pig crop since 1933 and was 3 percent larger than the 10-year average. The spring pig crop in the entire United States was estimated to be 20 percent larger than last year, the largest increase for any year on record. *The Hog Situation* reports, "With feed supplies generally abundant, it may be that the 1939 fall pig crop also will be larger than the 1938 crop. Larger pig crops this year will mean that supplies of hogs for slaughter in the 1939-40 marketing year, which begins next October, will be materially larger than in the present hog marketing year."

Receipts of sheep and lambs increased seasonally during June but were 20 percent smaller than in June last year. Receipts during the first six months of 1939 were about 8 percent smaller than during that period of 1938. Lamb receipts at all of the major markets were smaller in June than a year ago, largely because of the late development this year of the lambs in the early sheep states. *The Sheep and Lamb Situation* states: "The number of lambs saved per 100 ewes in 1939 probably will be smaller than the record number saved last year. But this decrease in the percentage lamb crop will be offset, at least in part, by the increase in the number of breeding ewes on hand."

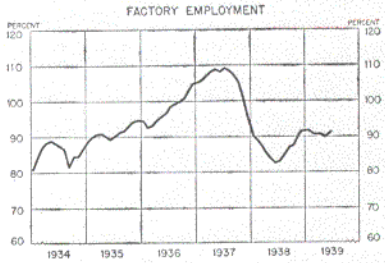
During the first two weeks of July, receipts nearly doubled as both late developing early lambs and the late lamb crop began to arrive at the same time. Prices dropped about $1.00 during the second week of July to a "top" of $8.75.

Increased total hatchings of chicks in the west north central states during the first half of 1939 were reported by the USDA which stated that the number of chicks and young chickens of the current year's hatchings on hand in flocks on July 1 was 5 percent larger than on that date last year and as large as the 10-year average. The total United States had an increase of 3 percent from last year and was about 1 percent above the 10-year average. Laying hens per flock were also more numerous on July 1 than a year ago but were a little below the 1928-37 average in our territory and the United States as a whole. According to the Bureau of Agricultural Economics, indications are that the United States **turkey crop** will be about 30 percent larger than last year with the north central region showing one of the largest increases.

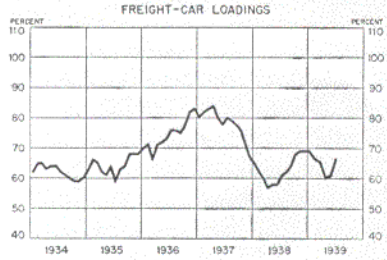
Cold storage holdings of butter increased less than the seasonal amount during July but were half again as large as the 5-year average. Commercial stocks of butter were about 4 percent above normal. Holdings of the Dairy Products Marketing Association and the Federal Surplus Commodities Corporation accounted for the rest and amounted to over 38 million pounds. Cream and cheese holdings were only slightly above normal. Cold storage supplies of eggs continued to be about the same as the 5-year average on July 1 but frozen poultry increased further and was about 30 percent larger than usual. Cold storage holdings of total meats were about normal on July 1, the first time they have approached that level for two years. Beef supplies were about one-third below the usual amount but pork declined less than seasonally as a result of heavy hog slaughterings. Lamb and mutton holdings increased instead of showing the customary decline with the result that both of these classes of meat were about normal on July 1. Miscellaneous meats were well above average. The heavy hog slaughter increased lard holdings more than usual during June and they were about 6 percent above the July 1 5-year average.



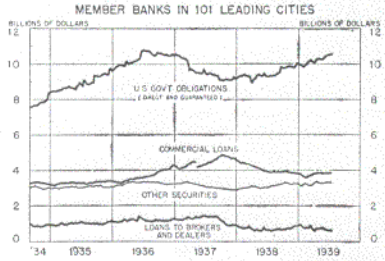
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.



Index of number employed, adusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to July 12, 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 JULY 22, 1939

Output of factories and mines increased in June reflecting chiefly sharp expansion at steel mills and bituminous coal mines. In the first half of July, industrial activity was generally maintained.

PRODUCTION: The Board's seasonally adjusted index of industrial production advanced to 97 in June as compared with 92 in April and May. At steel mills, output increased from a rate of 45 percent of capacity in the third week of May, to 54 at the end of June and to 56 in the third week of July. Automobile production, which had declined in May, showed some increase in June when a decline is customary. In the first three weeks of July, automobile output was at a lower rate, reflecting in part curtailment preparatory to the change-over to new models. Plate glass production rose considerably in June. Output of lumber, which usually shows some increase over May, was unchanged.

Among non-durable goods industries, woolen mills showed increased activity in June and activity at cotton and silk mills was maintained though declines are usual at this season. Meatpacking was lower than in May.

Mineral production increased considerably in June reflecting a sharp rise in output at bituminous coal mines which had been closed during April and the first half of May. Production of anthracite declined from May to June and there was some reduction in output of petroleum.

The value of construction contracts awarded declined in June, according to F. W. Dodge Corporation figures, reflecting chiefly a greater than seasonal decrease in private residential building. Contracts awarded for public residential construction, principally for United States Housing Authority projects, were maintained at the advanced level reached in May, while public construction other than residential showed a small decline.

EMPLOYMENT: Factory employment and payrolls increased somewhat from the middle of May to the middle of June according to reports from a number of important industrial states. There was a sharp expansion in employment at bituminous coal mines following the reopening of the mines in the middle of May, and the number employed on the railroads increased more than seasonally from May to June.

DISTRIBUTION: Department store sales showed a less-than-seasonal decline from May to June and the Board's adjusted index advanced from 85 to 86, which compares with a level of 88 during the first four months of the year. Sales at variety stores and by mail order houses showed little change.

Freight carloadings increased more than seasonally in June, reflecting a sharp rise in shipments of coal and smaller increases in shipments of grain and miscellaneous freight.

COMMODITY PRICES: Prices of hides, silk, steel scrap, copper, and some other industrial materials advanced from the middle of June to the third week of July, while some farm products, particularly grains, declined. Prices of most other commodities showed little change.

AGRICULTURE: A total wheat crop of nearly 717 million bushels was indicated on the basis of July 1 conditions, according to the Department of Agriculture. This would be much smaller than last year's large crop and somewhat below the 1928-1937 average.

Cotton acreage in cultivation was estimated to be about the same as last year but one-third less than the 10-year average. A record tobacco crop is indicated. Most other major crops are expected to approximate last year's harvests and are generally larger than average.

BANK CREDIT: Total loans and investments of member banks in 101 leading cities continued to increase during the four weeks ended July 12, reflecting, largely, purchases of United States government securities. Commercial loans, which had shown little change in recent months, increased slightly. Deposits and reserves at these banks rose to new high levels in July, reflecting continued gold imports and treasury disbursements from its balances at the reserve banks.

MONEY RATES: Prices of United States government securities, which had declined somewhat during June, recovered part of the loss in July. The longest-term treasury bond outstanding showed a yield of 2.31 percent on July 20, as compared with a record low of 2.26 on June 5. Open-market money rates showed little change.