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

Vol. 7 (Serial No. 305) Federal Reserve Bank, Minneapolis, Minn. May 28, 1940

Business volume increased in April. Retail trade for the month as a whole increased instead of showing the usual post-Easter decline. Bank debits were the largest for April in ten years. Bank deposits declined seasonally; loans and investments increased moderately. Farm income declined less than usual for the month.

BUSINESS

The volume of business in this district in April increased after declining somewhat during the first quarter. Many of our indicators were the highest in ten years. Department store sales throughout the district were at the highest April level since the early 1930's. Country lumber sales increased more than usual and were the highest for April since 1930. Both of our carloadings indexes advanced two points in April and were the highest for the month since 1937. The 94 cities bank debits index increased as a result of large gains at the Twin Cities, Duluth, Superior, and the wheat and mixed farming regions of the district. The index of bank debits at 67 farming centers as well as the country check clearings index declined somewhat from March but were the highest for April in more than ten years.

Northwestern Business Indexes
(1929-1931=100)

	Apr. 1940	Mar. 1940	Apr. 1939	Apr. 1938
Bank debits—94 cities	98	97	85	85
Bank debits—farming centers	99	103	91	88
Country check clearings	161	171	147	143
City department store sales	101	90	95	92
City department store stocks*	83	85	81	79
Country department store sales	106	93	102	99
Country lumber sales	110	108	109	105
Miscellaneous carloadings	85	83	81	69
Total carloadings (excl. miscellaneous)	71	69	65	60
Employment—Minn. (1936=100)	103	102	99	96
Farm prices—Minn. (1924-26=100)	69	67	67	76

*Seasonal adjustment revised.

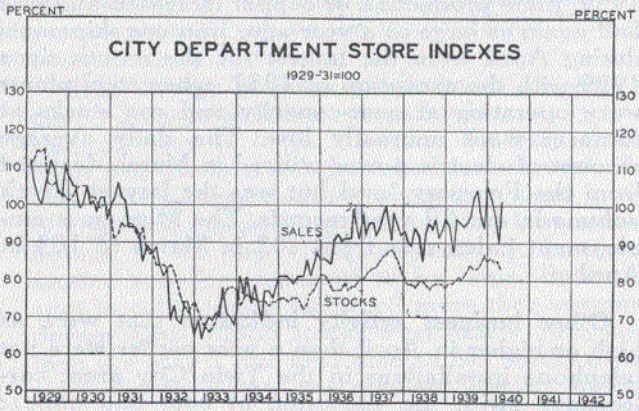
Total construction in this district as reported by the F. W. Dodge Corporation increased sharply in April but continued to be below one year earlier. Contracts for residential, industrial and public buildings and public works accounted for most of the increase and were larger than a year ago. Public utilities, commercial, educational, religious and memorial buildings and hospitals were smaller than in April 1939. **Building permits** issued by 72 cities and towns in this district were substantially larger than one year earlier. New construction accounted for 79% of the total compared with 87% in April last year.

Warranty deeds and **real estate mortgages** recorded in Hennepin and Ramsey Counties in April were well above the March volume and were the largest in more than 10 years. **Mortgages accepted for FHA insurance** during March increased in both number and amount over February but were slightly smaller than in March last year.

Department store sales in the district in April were slightly larger than in April 1939 even though Easter fell early in March this year and in the second week of April last year. City department store sales in April were 4% larger than a year ago. Cumulative sales for the first four months were 4% larger than during that period of 1939. Sales at all country stores were unchanged from a year ago with most sections of the district deviating but slightly from the trend of the total. Sales at country points during the first four months of 1940 were 9% larger than during the same period last year. City and country stores combined reported a gain of 2% over April 1939 and a cumulative gain of 7% for the first four months.

Retailers' collections on accounts and notes receivable at 43 stores increased in April and were larger than one year earlier. Receivables also increased and on April 30 were about 7% larger than on that date last year. **Wholesalers' collections** improved in April and were well above April last year.

City department store stocks declined more than usual during April but at the end of the month were the largest for that date since 1937. **Country department store stocks** likewise decreased and on April 30 were 4% larger than a year earlier. **Wholesalers' inventories** decreased during April and were well below the end of April one year ago.



Indexes of Department Store Sales and Stocks at 19 Minneapolis, St. Paul and Duluth-Superior Stores, adjusted for Seasonal Variation.

Sales at Department Stores

	No. of Stores	% Apr. 1940 of Apr. 1939	Cumulative % 1940 of 1939
Mpls., St. Paul, Duluth-Superior	21	104	104
Country Stores	434	100	109
Minnesota	149	101	109
Central Minnesota	28	105	111
Northeastern Minnesota	19	101	111
Red River Valley Minnesota	11	99	115
South Central Minnesota	31	96	106
Southeastern Minnesota	19	99	105
Southwestern Minnesota	41	104	110
Montana	48	101	109
Mountain	13	104	111
Plains	35	98	107
North Dakota	77	99	118
North Central North Dakota	14	101	111
Northwestern North Dakota	11	103	129
Red River Valley North Dakota	24	95	115
Southeastern North Dakota	23	100	115
Southwestern North Dakota	5	102	144
Red River Valley—Minn. & N. D.	35	96	115
South Dakota	85	96	104
Southeastern South Dakota	19	95	102
Other Eastern South Dakota	55	96	106
Western South Dakota	11	97	103
Wisconsin and Michigan	75	104	109
Northern Wisconsin & Michigan	39	106	110
West Central Wisconsin	36	102	108
Total District	455	102	107

Business failures in April were less numerous than in March and a year ago. Liabilities also declined from the March level but were about 25% above April 1939.

The volume of production in this district showed a strong spring upturn during April. Flour production was larger than in March, whereas a decline is customary at this season, and was slightly larger than in April 1939. Flour shipments were somewhat smaller in April. Shipments of linseed products increased and were more than half again as large as in April 1939. Slaughterings of cattle increased more than usual, hog and sheep slaughterings declined less than usual and as a result slaughterings of all classes of livestock were substantially above one year earlier. The cut of lumber increased sharply and was larger than in April in either of the two preceding years. Lumber manufacturers' shipments also increased and were 25% larger than in April 1939. Mine production of copper increased and was half again as large as a year ago. Iron ore shipments during April were the largest for the month since 1929 with the exception of 1937, when steel plants were operating at near-capacity and ore stocks at furnaces were unusually low. The daily average amount of electric power utilized in March declined from the February level but was the largest March volume in our 20 year records. The Minnesota employment index rose from 102 in March to 103 in April.

Other business activity indicators that were as high or higher in April than a year earlier were net telephone installations in the Twin City area; carloadings (with the exception of coal and coke); new passenger car sales; life insurance sales; and wholesales of groceries, hardware, electrical goods, plumbing and heating supplies, paper and tobacco.

BANKING

Country member bank deposits in the Ninth District declined slightly in April as a result of a decrease in demand deposits at Minnesota banks that was not quite offset by increases in time deposits reported by banks in Minnesota and Wisconsin. Total deposits, however, were higher in the latter half of April than in the latter half of any month in our 3½ year records with the exception of February and March. **Earning assets** increased slightly, small reductions being made both in balances due from commercial banks and from us. **Excess reserves,** however, with the exception of last month, were the largest since November 1936. Compared with April 1939, deposits were up $42 million, earning assets were $7 million larger and balances with correspondents and with us were up $24 million and $11 million respectively.

City member bank deposits declined temporarily in April to the lowest level in eleven months but showed the customary sharp reaction in the first week of May which was followed by another increase in the week ended May 15, carrying the total to over $615 million, a new high point for 1940. Practically all of the deposit decline in April and the subsequent increase in early May was in personal and commercial deposits, reflecting adjustments made in anticipation of the Minnesota and South Dakota May 1 tax date. **Loans to customers** and **security holdings** both increased moderately in April but sagged off by about the same amounts in the first half of May. Balances with correspondents and with us were both drawn down sharply in April to meet the deposit decline and the increase in earning assets but they were quickly restored after May 1 and on May 15, **total cash reserves** were the highest on record with the exception of two weeks last December. On May 8, **excess reserves** reached a new all time high of $49 million but dropped to $40 million in the following week.

Bills discounted by this bank increased somewhat during the latter half of April and on May 1 were $92 thousand, higher than on any other reporting date in the two preceding months. **Current industrial advances** declined a little between April 17 and May 15 but holdings of **United States bonds and notes** increased slightly. **Federal Reserve notes** in actual circulation continued the increase that began in the latter part of March. **Member bank reserve balances** continued to decline in the latter half of April and on May 1 were $131 million, the lowest in nearly a year. During the first week of May, however, member bank reserve balances were increased by a record amount, $45 million, resulting in an all-time record volume of $177 million on May 8. In the week ended May 15, the total declined to $164 million.

Reflecting the unprecedented supply of funds available and the limited demand for short term loans, the rate on **short term commercial paper** declined slightly in April. The volume of commercial paper outstanding declined by less than the sea-

sonal amount and was a little larger on April 30 than on the same date in other recent years.

AGRICULTURE

Farmers' cash income as compiled from terminal receipts and prices of seven products (excluding government payments) decreased by less than the seasonal amount in April. In fact, the incomes from the cash grains and dairy products were all higher in April than in March but the increases were not quite large enough to offset the seasonal declines in incomes from hogs and potatoes. The April income from each of the seven items was much larger this year than last, totalling $38 million and $22 million in 1940 and 1939 respectively.

Agricultural product prices were mostly higher in April than in March, although prices for butter, milk, veal calves, lambs and ewes declined. Grain prices were all higher in April than in March and higher than in April last year. Livestock prices, on the other hand, while higher than in March, were mostly lower in April than they were a year ago. During the first half of May, grain prices broke badly on the news of the extension of the war in Europe. Livestock prices in the first two weeks of May have been very erratic and have fluctuated in a much broader than normal range and at the end of the third week in the month, were a little lower than at the end of April. The Minnesota farm price index rose two points in April.

Crop conditions throughout the district at the middle of May were much better than on the same date in many years. Rains and cool-to-cold weather have resulted in some delay in planting corn but that task was about completed by May 20 in all of the heavy corn producing counties. It is not expected that this slight delay will materially affect the acre yield of corn in the district, unless we have earlier frosts next fall than we have had in the last two or three years. The later spring, however, may result in the shifting of some acres from corn to shorter season crops. While acreage estimates will not be available for some time, reports from some sections of the district indicate that the 1940 acreage seeded to flax will probably exceed the March 1 intentions figure by as large or larger amount than a year ago.

Farm stocks of hay on May 1 in our four states were far below the reserve supply on May 1 last year and in Minnesota were the smallest for that date since the hay shortage winter of 1936-1937.

Receipts of cattle and calves at South St. Paul increased more than seasonally during April and were the largest for that month since 1936. During the first four months of 1940, however, total cattle and calf receipts were about 5% smaller than during the same period last year and were smaller than in that period in any other year since 1936. *The Livestock Situation* stated: "Present indications are that the combined total slaughter of cattle and calves in 1940 will not be greatly different from the total in 1939. . . . During the summer and early fall consumer demand for meats probably will continue stronger than a year earlier, but hog slaughter and pork production will be larger."

Shipments of stocker and feeder cattle from South St. Paul increased somewhat in April but were smaller than in April 1939. Feeder shipments during the first four months of 1940 were 18% smaller than in the same period last year.

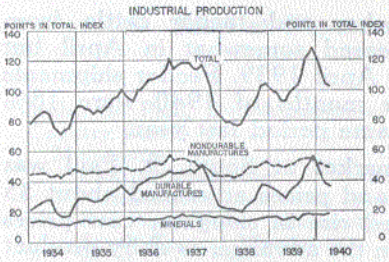
The dairy cow market at South St. Paul was strong during April and prices advanced about $5 a head. The sustained rise in slaughter cow prices was the main factor in the advance, as dairy product prices declined the full seasonal amount and other important factors were unchanged. The price range for April was $45-$90, about $5 above April 1939.

Hog receipts at South St. Paul during April declined by a smaller percentage than usual, were more than 70% larger than a year ago and were the largest for April since 1927. During the first four months of 1940, receipts were more than 60% larger than during that period of 1939. *The Livestock Situation* stated: "The larger number of sows marketed in the past three months indicates that fewer sows are being kept for spring farrow this year than last. . . . A decrease in the 1940 spring pig crop will mean smaller marketings of hogs in the winter of 1940-41 than were marketed this year."

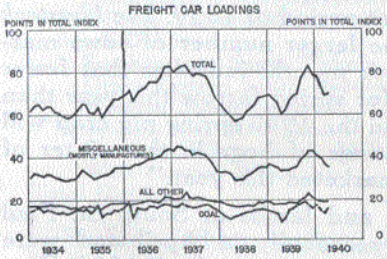
Receipts of sheep and lambs at South St. Paul decreased less than seasonally in April and were more than half again as large as in April 1939. During the first four months of 1940, receipts were 9% larger than during the same period last year. *The Livestock Situation* reported: "Marketings of early lambs in May and June probably will be larger than in those months last year. . . . Prospects for the late lamb crop in the northern range states are mostly favorable."

Commercial hatchings of chicks in the United States during April were only 3% smaller than the unusually large hatch of April 1939. During the first four months of 1940, however, hatchings were substantially below the same period of 1939. The USDA in its report on poultry and egg production stated: "Considerably fewer chickens are being raised this year than last, judging from returns from sample farm flocks on May 1. Numbers on hand at that date were 8% below the 10-year average holdings for May 1. The number of chickens raised this year apparently will be the smallest since 1937 and possibly since 1934."

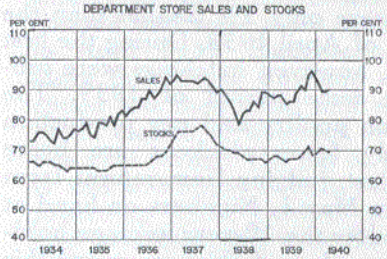
Cold storage holdings of all classes of meats declined during April, but were all substantially larger than on May 1, 1939. Beef was the only class of meat that declined less than the usual amount. Pork and lard holdings declined more than usual in spite of large hog slaughterings, but on May 1 were above normal by 17 and 118%, respectively. Lamb and mutton supplies continued to be large. Butter and eggs in cold storage increased more than seasonally during April. Butter stocks were nearly 50% larger than the May 1 five year median but stocks of eggs were slightly below the median. Poultry holdings declined seasonally, continuing to remain well above the May 1 normal due to the unusually large holdings of turkeys.



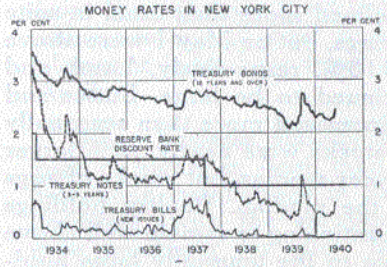
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to April 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to April 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to April 1940.



For weeks ended January 6, 1934 to May 18, 1940.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 17, 1940

Industrial activity was steady during April after three months of sharp decline, and in the first half of May increases appeared in some lines, particularly steel. Prices of basic commodities showed mixed changes toward the middle of May, accompanying the extension of active warfare in Europe, while stock prices declined sharply.

PRODUCTION: The Board's seasonally adjusted index of industrial production for the month of April was 102, compared with 104 for March and 109 for February. Steel ingot production was steady during April at slightly over 60 per cent of capacity as compared with an average rate of 64 per cent in March; in the first half of May output rose sharply and currently is scheduled at about 70 per cent of capacity. Automobile production in April continued at about the March rate, although ordinarily there is an increase at this season, and in early May declined somewhat. Retail sales of new cars approximated production in April and dealers' stocks of both new and used cars remained at earlier high levels. Output of plate glass, used largely by the automobile industry, declined considerably in April, and lumber production showed somewhat less than the usual seasonal increase. In the machinery, aircraft, and shipbuilding industries activity continued at the high rate of other recent months.

In the textile industry activity at cotton and woolen mills declined somewhat further in April, following considerable reductions in March. At silk mills activity remained at a low level, while rayon production was maintained at a high rate. Output at meat-packing establishments continued in large volume. There was some further curtailment in shoe productoin in April; in most other industries producing nondurable goods changes in output were largely seasonal in character.

The value of construction contract awards increased further in April, reflecting principally a rise in contracts for private building, according to figures of the F. W. Dodge Corporation. Awards for private residential building were in somewhat larger volume than a year ago. Private nonresidential building was about one-third greater than at this season last year and was near the previous peak level reached in mid-1937. Awards for public construction, however, were considerably below the level of last spring.

DISTRIBUTION: Distribution of commodities to consumers showed little change in April and the first half of May. The Board's seasonally adjusted index of department store sales was 90 per cent of the 1923-1925 average in April, about the level that has prevailed since the first of the year but below the peak of 96 reached last December.

Total freight carloadings in April were in about the same volume as in March. Shipments of coal declined less than seasonally, while loadings of miscellaneous freight, which include most manufactured products, showed less than the sharp rise that is customary at this season. In the early part of May increases were reported in shipments of most classes of freight.

FOREIGN TRADE: Exports of United States merchandise, which have been at a high level since last December, declined somewhat in April. A large part of the decrease in April was accounted for by the complete cessation of shipments to northern European countries after outbreak of hostilities there, but declines were also reported in shipments to most other countries. Exports to Canada, the Union of South Africa, and France, however, increased.

Shipments of commercial vehicles declined sharply, following a considerable rise in March, and exports of iron and steel products, which had been increasing steadily since last summer, also showed a decline. Exports of cotton and copper decreased further from earlier high levels, while machinery and aircraft shipments continued in large volume.

During April, the monetary gold stock of the United States increased by $337 million, the largest increase since August 1939. Acquisitions of gold in the first two weeks of May totaled $169 million.

COMMODITY PRICES: Prices of a number of basic commodities, which had been declining after a rise in April, advanced from May 10 to May 14. Increases in this period were particularly marked for imported materials, such as rubber, tin, and silk. Grain prices rose at first but subsequently showed sharp declines. Price changes for other commodities were mixed; steel scrap advanced, while cotton declined considerably. Prices of certain steel products, which had been reduced early in April, were restored to earlier levels on May 1, and producers announced that steel purchased at the lower prices must be taken by the buyers on or before June 30.

GOVERNMENT SECURITY MARKET: Prices of United States Government securities declined sharply from May 10 to May 14, accompanying the further spread of war in Europe. Prices of long-term Treasury bonds on May 14 were 3¾ points below the high point reached on April 2. The yield on the 1960-65 2¾ per cent bonds rose from 2.26 per cent on April 2 to 2.48 per cent on May 14.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities increased during the four weeks ended May 8. Most of this increase was at New York City banks and reflected purchases of United States Government obligations. Deposits and reserves of banks in leading cities continued at record high levels.