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

Vol. 7 (Serial No. 312) **Federal Reserve Bank, Minneapolis, Minn.** **December 30, 1940**

Business volume rose sharply during November to the highest level for the month since 1929. Bank deposits and loans advanced to new post-depression highs. Farmers' cash income was well above a year ago. Farm product prices rose to the level of November 1939.

BUSINESS

The volume of business in the Ninth District as measured by our seasonally adjusted indexes rose sharply in November and was at the highest level for the month since 1929. The 94 cities bank debits index advanced seven points to 98% of the 1929-31 average and the index of bank debits at farming centers rose to the highest point since October 1929. The indexes of city and country department store sales rose to the highest levels for November since 1929. The miscellaneous carloadings index for November was eight points higher than in October and was at the highest point for any month since June 1930. Other carloadings declined more than usual from the October level but nevertheless were the largest for November since 1929.

Northwestern Business Indexes

(1929-31=100)

	Nov. 1940	Oct. 1940	Nov. 1939	Nov. 1938
Bank debits—94 cities	98	91	90	86
Bank debits—farming centers	111	108	95	91
Country check clearings	180	168	157	146
City department store sales	104	97	94	93
City department store stocks	95	84	87	79
Country department store sales	110	100	97	97
Miscellaneous carloadings	103	95	93	87
Total carloadings (excel. Miscellaneous)	92	95	90	68
Employment—Minn. (1936=100)	113	113	108	101
Farm Prices—Minn. (1924-26=100)	68	63	68	66

Total building and construction contracts awarded in this district in November as reported by the F. W. Dodge Corporation declined more than usual from the October level and were slightly smaller than a year earlier. Severe November weather was a big factor in the sharp reduction in residential building volume which was 40% below October and 16% smaller than in November 1939. Commercial and industrial building, however, declined less than usual at this season and was more than double one year earlier. Contracts awarded by public utilities were substantially larger than one year earlier for the fourth consecutive month. Public works contracts were less than half the October volume and were only three-fourths as large as in November 1939. **Building permits** issued in 75 cities and towns in November in this district were smaller than one year earlier for the first time since June. Permits issued in cities reporting in North Dakota, South Dakota and Northern Wisconsin were larger than a year ago but they were more than offset by the declines of cities reporting from Michigan, Minnesota and Montana.

Department store sales in this district during November were well above a year ago. City department store sales were 11% higher than in November 1939 and country stores recorded a gain of 13%. The increase in sales volume was well distributed throughout the district. Western South Dakota showed a decrease of 3% but all the other sections recorded increases of at least 9%. During the first eleven months of this year, sales in the district were 4% larger than in the corresponding period last year, country stores having a gain of 5% and city stores 3%.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Nov. 1940 of Nov. 1939	Cumulative % 1940 of 1939
Total District	221	53	112	104
Mpls., St. Paul, Dul.-Sup.	15	5	111	103
Country Stores	206	48	113	105
Minnesota	63	14	112	106
Central Minn.	8	2	115	105
Northeastern Minn.	5	2	113	109
Red River Valley Minnesota	3	2	127	103
South Central Minnesota	20	3	111	102
Southeastern Minnesota	10	3	109	105
Southwestern Minnesota	17	2	111	108
Montana	26	8	118	108
Mountains	6	2	122	110
Plains	20	6	114	107
North Dakota	39	6	114	104
North Central North Dakota	5	3	111	100
Northwestern North Dakota	5	0	133	108
Red River Valley N. Dak.	17	2	110	104
Southeastern North Dakota	11	1	119	104
Red River Valley—Minnesota and North Dakota	20	4	112	104
South Dakota	42	9	113	100
Southeastern South Dakota	11	1	111	102
Other Eastern South Dakota	27	5	117	98
Western South Dakota	4	3	97	99
Wisconsin and Michigan	36	11	110	105
Northern Wis. and Mich.	14	5	113	106
West Central Wisconsin	22	6	109	105

City department store inventories increased more than usual during November raising December 1 inventories to the highest level for that date since 1930. **Country department store inventories,** on the other hand, declined during November whereas an increase usually occurs at this season.

The volume of manufacturing production in this district as measured by the following indicators declined less than usual during November and was larger than a year ago. Flour production and shipments declined seasonally but were 3% and 14%

respectively larger than in November 1939. Linseed oil and oil cake shipments declined but were the largest for November since 1928. The cut of lumber declined more than usual and was somewhat smaller than a year earlier. Slaughterings of cattle, calves and sheep declined but hog slaughterings increased and slaughterings of all classes of livestock were well above a year earlier. The index of Minnesota manufacturing employment increased sharply to the highest November level in our seven-year records. Electric power utilization increased seasonally during October, was 4% larger than in October last year, and was larger than for any other month on record.

Other business activity indicators that were as high or higher in November than a year earlier were mortgages accepted for FHA insurance; new passenger and commercial car registrations; net telephone installations in the Twin City area; carloadings of forest products, ore, livestock, coal and coke and warranty deeds recorded in Hennepin and Ramsey counties. Indicators that were lower than a year ago were life insurance sales; carloadings of grain and less-than-carlot freight and real estate mortgages recorded in Hennepin and Ramsey counties.

BANKING

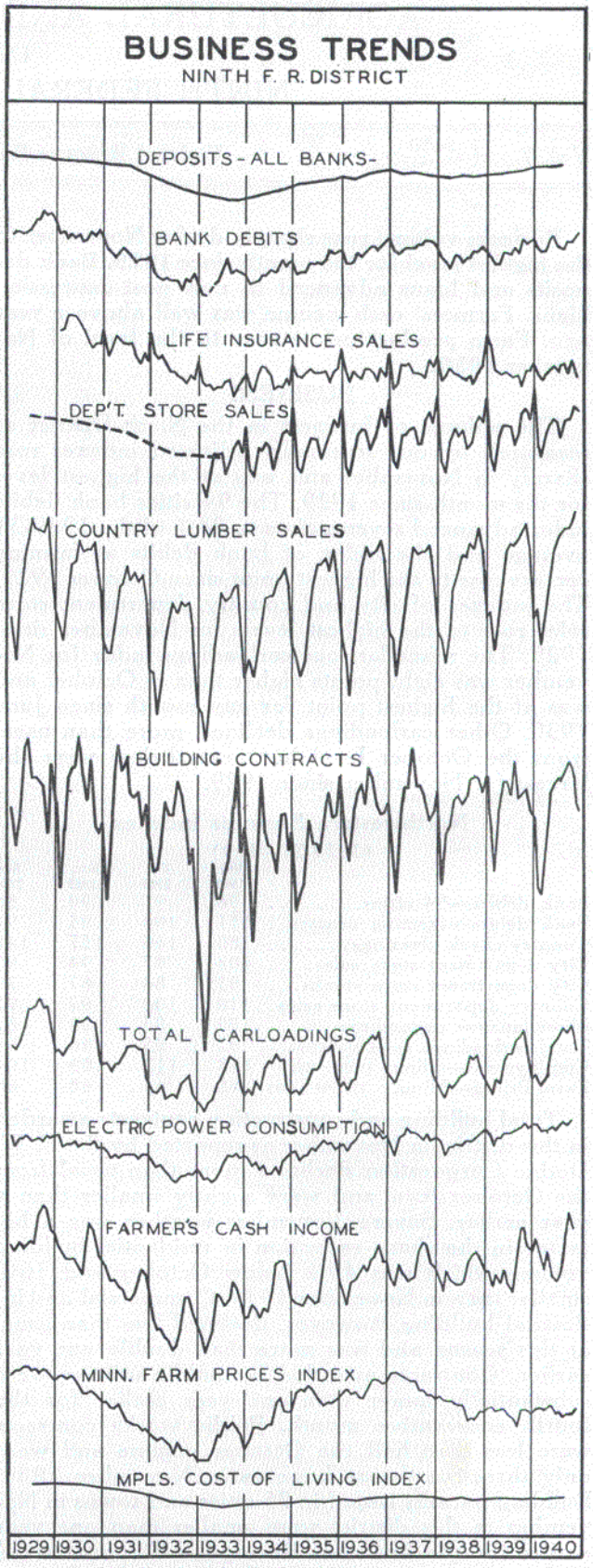
Country member bank deposits continued to expand more than seasonally during November, establishing a new post-depression high. Minnesota banks recorded the largest increase in deposits between the latter half of October and the latter half of November, but banks in each of the other three complete states also reported sizeable increases. Banks in Northern Wisconsin and Michigan experienced minor declines. After being practically unchanged during the first seven months of this year, deposits increased from $509 million during the latter part of July to $551 million during the latter half of November. During this period, earning assets increased $26 million, reserves held at the Federal Reserve Bank increased $5 million and deposits with other correspondent banks advanced $11 million.

City member bank deposits continued to establish new all-time records during recent weeks and on December 11 totaled $665 million, more than $49 million larger than one year earlier. Earning assets totaling $428 million were equally divided between loans and investments. Loans, however, expanded nearly $7 million during the six weeks ended December 11 and were $24 million larger than a year ago, the largest since early in 1932. Investments were practically unchanged since October, and were slightly smaller than one year earlier. Reserves, cash and balances with other correspondent banks continued to expand and at mid-December were $27 million larger than a year ago.

The reserve position of Ninth District member banks is shown in the table below:

	Member Bank Reserve Deposits*	Required Reserves*	Excess Reserves*
Reserve City Banks	$101,679,000	$ 62,651,000	$39,028,000
Country Banks	71,896,000	42,247,000	29,649,000
Total Ninth District (1940)	$173,575,000	$104,898,000	$68,677,000
Total Ninth District (1939)	154,472,000	96,489,000	57,983,000

*Daily average for last half of November.



AGRICULTURE

Farmers' cash income from the sale of seven important Ninth District products, based on terminal receipts and prices, declined seasonally during November but was 16% larger than in November 1939. Income from wheat, rye, flax and potatoes declined because of the seasonal decline in marketings. Because of the sharp rise in dairy product prices, income from dairy products was as large in November as in October even though production declined seasonally. Income from hogs increased to the highest level since the autumn of 1937, as a result of a heavy seasonal increase in marketings.

The USDA estimate of farmers' cash income (including government payments) for this District in October declined seasonally from September but was the largest for the month of October since 1929. During the first ten months of 1940, cash income of farmers totaled $758 million, $124 million more than during the corresponding period of 1939 and the largest amount for that period since 1930. Each state and part state in our district shared in the gain.

Agricultural product prices in general advanced during November to about the level of one year earlier. Dairy product prices advanced sharply to the highest level since late 1937. Potato prices advanced more than seasonally and all classes of grain were higher in November than in October but in general were slightly below a year ago. Corn prices, however, were substantially above one year earlier, and were the highest for November since 1936. Egg and poultry prices showed little or no change. Wool advanced to 30c per pound, the highest since the spring of 1937. Cattle showed mixed trends with highly finished butcher cattle advancing to the highest level since late in 1937, but poorer grades of cattle declined in price. Hogs declined slightly while lamb and sheep prices advanced a little.

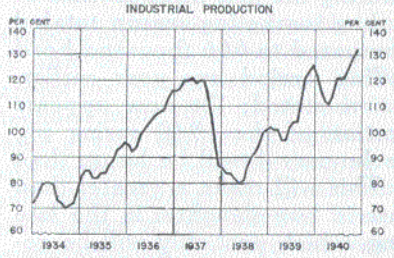
Receipts of cattle at South St. Paul declined seasonally during November but were 24% larger than the unusually small receipts one year earlier and were the largest for that month since 1936. Calf receipts also declined but were 5% larger than in November 1939. During the first eleven months of 1940, cattle receipts totaled 875 thousand head compared to 834 thousand in 1939. Reflecting the good stocker demand throughout the year, calf receipts during this period were only 424 thousand head, smaller than in any corresponding period since 1921. Because feeder shipments started later than usual this fall and because a larger-than-normal proportion of the feeders were light cattle, *The Livestock Situation* stated: "This and other information indicates that marketings of fed cattle in the first half of 1941 will be a little smaller this year than last, but a moderate increase over a year earlier may occur in the supply of fed cattle in the late summer and early fall of 1941."

Hog receipts at South St. Paul increased seasonally during November and were more than one-third larger than in November 1939. In spite of a somewhat smaller spring pig crop in 1940 than a year earlier, receipts during the first three months of the September-March hog marketing season totaled 847 thousand head compared to 666 thousand head during the corresponding period one year earlier. *The Livestock Situation* stated: "It now appears likely that the proportion of the 1940 spring pig crop marketed before January 1 will be larger than usual this season . . . This will mean a greater than usual seasonal decrease in hog slaughter in the late winter and early spring, which probably will be accompanied by a fairly sharp advance in hog prices, particularly if consumer demand conditions continue to improve during the next few months, as now seems likely."

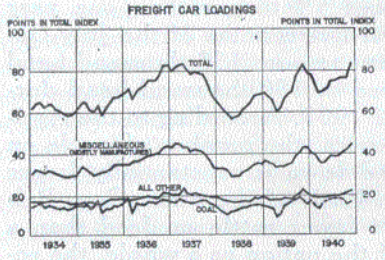
Shipments of feeder cattle and calves from South St. Paul declined more than seasonally during November but were about 5% larger than one year earlier. During the first five months of the July-December feeder shipment season, 138 thousand head were shipped compared to 130 thousand head during the same period of 1939. According to the Agricultural Marketing Service, the number of cattle on feed in Minnesota and Iowa is substantially larger than one year earlier. Each of the other Corn Belt States, however, have fewer cattle on feed than a year ago. Speaking of the nation as a whole, the report stated: "November was the only month in the five months, July through November, when shipments were smaller than last year . . . Despite this decrease in shipments in November, it still seems probable that the total number of cattle fed this season will be somewhat larger than the number fed last year."

Sheep and lamb receipts at South St. Paul declined seasonally during November but were 27% larger than in November 1939, when they were the smallest for that month since 1927. During the first eleven months of 1940, receipts were 6% larger than during the corresponding period of 1939. *The Livestock Situation* stated: "Most of the increase in lamb feeding this year over last is expected to be in the Corn Belt states . . . In the Western Corn Belt substantial increases in Minnesota, South Dakota, Iowa and Kansas will total much more than the probable decreases in Missouri and Nebraska . . . Fewer lambs probably will be fed in the Eastern Corn Belt this year than last."

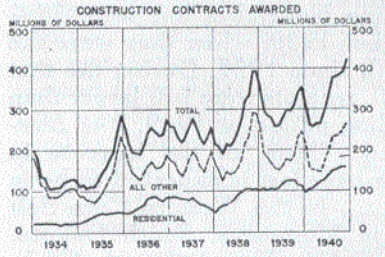
United States cold storage holdings of butter declined more than seasonally during November and on December 1 were only three-fourths of the 5-year median. Cheese supplies also declined but were about one-fourth larger than usual. Poultry and eggs in cold storage both declined but were 35% and 12%, respectively, above normal. Supplies of beef and pork increased sharply during November and were above the median for December 1 as well as being substantially larger than one year earlier. Lamb & mutton in cold storage increased seasonally and remained about one-fourth above normal. Lard holdings increased a little more than usual during the month and on December 1 remained more than three times as large as the 5-year median for that date.



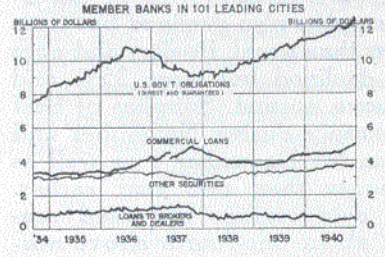
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average=100. By months, January 1934 to November 1940.



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 November 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation.



Wednesday figures, September 5, 1934 to December 11, 1940. Commercial loans based on new classification beginning May 19, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DECEMBER 19, 1940

Industrial activity continued at a high rate in November and the first half of December and distribution of commodities increased considerably. Commodity prices generally showed little change following earlier advances.

PRODUCTION: The volume of industrial production, which usually declines at this season, showed little change from October to November, and the Board's seasonally adjusted index rose 3 points further to 132 per cent of the 1935-1939 average.

Reflecting work on a large volume of orders for national defense purposes and for civilian needs, activity in the machinery and textile industries continued to increase sharply. At machinery plants and at cotton textile mills activity reached new high levels and at woolen mills output was close to the previous peak reached early in 1937.

Steel ingot production, which had been at about 94 per cent of capacity in October, increased somewhat further in November and the first half of December. Automobile production continued in unusually large volume, amounting in November to around 500,000 cars and trucks. Retail sales of new cars have been large this autumn and production has been maintained at high levels in order to supply this demand and to build up dealers' stocks. Lumber production declined less than seasonally from October to November. New orders for lumber continued somewhat above the current rate of production although below the high level of the three preceding months when large orders were placed for cantonment construction. Lumber stocks at mills continued to decline and were smaller than at any time in recent years. Bituminous coal production increased considerably in November, following a sharp decline in the previous month, while output of crude petroleum was maintained at about the October rate. Production of most metals continued in large volume.

Value of total construction contract awards declined less than seasonally in November. In the 37 eastern States for which F. W. Dodge Corporation data are available total contracts showed little change; awards for public construction increased further and those for private work declined by somewhat less than the usual seasonal amount. In the far western States contract awards showed a decline from the unusually high level reached in October.

DISTRIBUTION: Distribution of commodities to consumers increased considerably in November. Sales at department stores and mail-order houses rose sharply, while variety store sales increased by about the usual seasonal amount. In the first half of December there was the customary large expansion in retail sales.

Total freight-car loadings showed considerably less than the usual seasonal decline in November and the early part of December. Loadings of coal, which had been curtailed in October, increased sharply and shipments of ore and of miscellaneous merchandise declined much less than is usual at this time of the year.

WHOLESALE COMMODITY PRICES: Prices of basic commodities, which had risen substantially since August, generally showed little change from the middle of November to the middle of December. Prices of a few imported commodities, particularly cocoa, burlap, and shellac, increased considerably and there were small advances in steel scrap and some other domestic commodities, while moderate declines were reported for such varied commodities as lead, grains, and lard.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities have increased sharply since the beginning of October. Commercial loans continued to increase in November and the first half of December, and holdings of United States Government obligations at New York City banks rose sharply. Principally as a result of the expansion of bank loans and investments, Government expenditures, and foreign disbursements financed by additional gold imports, bank deposits increased to new high levels. At the same time there has been a considerable increase in currency in circulation partly in response to seasonal trade demands.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States Government securities continued to rise during the latter half of November and the early part of December, and the 1960-65 bonds advanced to successive new high levels, with a peak of about 111⅝ on December 10. The yield on this issue declined to a low point of 2.03 per cent on the latter date, but increased slightly toward the middle of the month, reflecting some easing in prices.