MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 316) **Federal Reserve Bank, Minneapolis, Minn.** **April 28, 1941**

Business volume in March declined from the February level but was the largest March total in more than a decade. Bank deposits declined somewhat but city member bank loans were at a 9-year high. Farmers' cash income was below a year ago.

BUSINESS

March business volume in this district declined somewhat from the February level, after adjusting for seasonal changes, but was the largest for the month in more than a decade and substantially larger than in March 1940. The bank debits indexes each declined one point from the February level. Debits at 94 cities were the largest for March since 1930. The index of debits at farming centers was the highest for March on record and except for February was the highest of any month since October 1939. After adjusting department store sales for the change in the date of Easter, both city and rural indexes declined from the February level but were several points higher than one year earlier and the highest for March since 1931. Sales at country lumber yards increased less than seasonally but were the largest March sales since 1930. Miscellaneous carloadings increased seasonally to the highest level since 1930 and were 25% above one year earlier. The index of Minnesota commercial and industrial employment increased seasonally to a level substantially higher than for any other March in our 8-year records. Farm prices in general failed to increase as much as usual at this season.

Northwest Business Indexes

Adjusted for Seasonal Variation 1935-39=100

	Mar. 1941	Feb. 1941	Mar. 1940	Mar. 1939
Bank debits—94 cities	119	120	115	98
Bank debits—farming centers	131	132	117	105
Country check clearings	132	137	119	101
City department store sales	109	111	99	104
City department store stocks	107	107	106	100
Country department store sales	113	124	100	96
Country lumber sales	123	135	115	110
Miscellaneous carloadings	122	122	97	96
Total carloadings (excl. miscellaneous)	103	100	94	87
Employment—Minn. (unadj. 1936=100)	110	107	102	98
Farm Price—Minn. (1924-26=100)	74	76	67	66

Building and construction contracts awarded in this district as reported by the F. W. Dodge Corporation increased seasonally during March to a level 70% larger than one year earlier and the largest for the month since 1931. The increase in awards resulted in the main from a sharp rise in public works contracts and a larger than usual expansion in residential building contracts. During the first quarter of 1941, public works contracts awarded in this area totaled nearly $5 million, more than three times the amount during the corresponding period of 1940. Residential building awards totaled more than $6 million during the first quarter, were half again as large as one year earlier and the largest for that period since 1927. Contracts awarded during March for commercial building were slightly larger than in February but were smaller than a year ago while industrial building declined from February but was larger than in March 1940. Contracts for other classes of building were small in amount and showed mixed trends.

The valuation of building permits issued in eighty-four cities and towns in this district increased seasonally during March and was 55% larger than in March 1940. Cities in Montana reported smaller valuation than one year earlier but all of the other states and part states recorded substantial increases. Compared with the first quarter of 1940, total permit valuation for the eighty-four cities during the first three months of 1941 was 39% larger. Cities in Minnesota, Montana, South Dakota and the northern peninsula of Michigan recorded substantial increases over the first quarter of last year but cities in North Dakota and northern Wisconsin reported declines.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Mar. 1941 of Mar. 1940	Cumulative % 1941 of 1940
Total District	131	144	104	103
Mpls., St. Paul, Dul.-Sup.	15	7	106	105
Country Stores	116	137	99	100
Minnesota	32	45	99	98
Central	5	5	99	99
Northeastern	6	2	105	100
Red River Valley	3	3	98	100
South Central	5	16	94	95
Southeastern	10	4	101	101
Southwestern	3	15	95	95
Montana	13	27	95	101
Mountain	5	7	104	106
Plain	8	20	91	98
North Dakota	21	30	96	93
North Central	4	5	98	93
Northwestern	3	4	100	97
Red River Valley	7	13	96	92
Southeastern	6	8	90	93
Red River Valley—Total	10	16	96	93
South Dakota	15	20	104	105
Southeastern	5	5	108	108
Other Eastern	8	8	104	104
Western	2	7	83	92
Wisconsin and Michigan	35	15	105	102
Northern Wis. and Mich.	16	5	105	102
West Central Wis.	19	10	106	102

Department store sales in this district in March were 4% larger than one year earlier even though the entire pre-Easter shopping season in 1940 was in March whereas it was in April this year. Sales at city department stores were 6% larger than one year earlier. Sales at country department stores, however, were 1% smaller than a year earlier. Several retail trade sections had a larger sales volume than one year earlier, but the majority recorded declines. During the first quarter of 1941, country store sales volume was the same as in the corresponding period of 1940 but city store sales were 5% larger.

Manufacturing production in this district in March as measured by the following indicators, was at the highest level for the month in recent years. Electric power production increased somewhat, was 17% larger than in March 1940 and was the largest for the month on record. The index of Minnesota manufacturing employment increased seasonally during March, was 12% higher than in March 1940 and was 8% higher than in March 1937, the previous post-depression March high. Shipments of linseed oil were half again as large as one year earlier and the largest for March in our 21-year records. Slaughterings of cattle, calves and hogs increased but sheep slaughterings declined seasonally. Slaughterings of all classes of livestock, with the exception of hogs, were larger than one year earlier. The volume of lumber cut in March was larger than in February and was well above March 1940. Flour production increased seasonally but continued to be somewhat smaller than a year ago.

BANKING

Country member bank deposits and earning assets declined seasonally between the latter half of February and the latter half of March. Deposits declined $5 million during the period, $3 million of which was met by a decline in earning assets and $2 million by reducing correspondent balances. Deposits were, nevertheless, $33 million larger than one year earlier and the largest for March since 1931 and earning assets were $24 million larger than a year ago and the largest for that season since 1932. Reserve balances were only slightly larger than a year earlier, almost the entire increase in deposits having been placed in earning assets or redeposited at correspondent banks.

City member bank loans continued to expand during March and at the end of the month totaled $218 million, the highest level in more than nine years and about $70 million higher than at the end of March 1939. Holdings of United States Government bonds increased about $5 million during the month but holdings of United States Treasury bills and notes declined sharply as is customary at this season. Deposits of individuals, partnerships and corporations declined about $15 million during the month as a result of tax payments, and State, County and Municipal deposits increased by approximately the same amount. Total deposits, however, recorded a net decline of about $5 million because of a reduction in correspondent balances.

The reserve position of Ninth District member banks as indicated by the daily average of deposits and reserves for the last half of March is shown in the table below:

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
Country Banks	$ 59,107,000	$ 34,364,000	$24,743,000
City Banks	110,294,000	69,651,000	40,643,000
Total Ninth Distrct (1941)	$169,401,000	$104,015,000	$65,386,000
Total Ninth District (1940)	158,520,000	95,819,000	62,701,000

AGRICULTURE

Farmers' cash income in this district from seven important products, based on terminal receipts and prices, increased seasonally during March and with the exception of the unusually large March 1940 income, was the largest for that month since 1930. Income from dairy products was about 11% larger than one year earlier, due to both higher prices and larger production. Because hog prices were 50% higher than one year earlier, income from hogs was substantially larger than in March 1940 in spite of smaller marketings. Due to unusually heavy marketings, flaxseed income was larger than a year ago but income from wheat and rye was much smaller due to both smaller marketings and lower prices. Income from potatoes was slightly below one year earlier.

Agricultural product prices at terminal markets in this district recorded only slight changes during March but were at the highest March level since 1938. Cattle prices showed mixed trends but in general were slightly higher than in February and well above a year earlier. Hog prices remained unchanged from the February level of $7.50 per hundred compared to $5.00 in March 1940. Sheep and lamb prices continued firm and a little above one year earlier. Durum wheat advanced about 6 cents a bushel to a level somewhat above one year earlier. Other classes of grain recorded smaller gains and with the exception of corn were lower than a year ago. Prices of butter, hens, eggs and wool advanced and were higher than in March 1940.

Livestock movement during March showed mixed trends. Receipts of cattle, calves and sheep at South St. Paul continued to be larger than one year earlier reflecting the larger number on farms on January 1. Hog receipts, on the other hand, continued to be substantially smaller. During the first three months of 1940, cattle and calf receipts were 5% and sheep receipts 19% larger than during the corresponding period of 1940 while hog receipts were 24% smaller. The Agricultural Marketing Service reported that the movement of stocker and feeder cattle into the Corn Belt for the three month period, January through March, this year was probably the largest for this period for all years. The number of cattle on feed in the Corn Belt on April 1 was 16% larger than on that date in 1940. Minnesota had 6% more cattle on feed than one year earlier and South Dakota 35% more.

March 1 prospective plantings of wheat, oats, barley, flaxseed and potatoes in the four states of

Minnesota, Montana, North and South Dakota are somewhat smaller than the 1940 seeded acreage but corn plantings are expected to be somewhat larger. For the United States as a whole, prospective plantings of corn, spring wheat and potatoes are somewhat smaller than 1940 plantings and well below the 1930-39 10-year average. Acreage intended for seeding barley and flaxseed is slightly smaller than a year ago but is substantially above average. A slightly larger acreage of oats than in 1940 is in prospect for 1941.

Wheat production in the United States in 1940 totaled 817 million bushels and on July 1, 1940 there was a carry-over of 282 million bushels making a total supply of 1,099 million bushels for the year beginning July 1, 1940. According to estimates of the U. S. Bureau of Agriculture about 33 million bushels of wheat will have been exported during the year ended July 1, 1941 and the domestic disappearance will have been 685 million bushels leaving a carry-over of about 381 million bushels on July 1, 1941 which will be the largest carry-over since 1919, and about 100 million bushels larger than that of a year earlier.

More than 46 million acres were seeded to winter wheat in the United States last fall. If the March 1 prospective plantings of spring wheat materializes, the acreage seeded to wheat for harvest in 1941 will be about 63 million acres, or about one million acres more than in 1940.

Milk production in the United States during 1940 was the highest for any year on record and was about 6% larger than the 1935-39 average. During the first quarter of 1941, production was larger than during the corresponding period of 1940. Abundant feed supplies at reasonable prices encouraged heavy feeding which was the principal cause for the high milk production. The number of dairy cows on farms, however, also played a part in the larger production. The Agricultural Marketing Service reported that there were 25.9 million milk cows on farms on January 1, 1941. This is the largest number since 1935 and was exceeded only in the period 1933-35. The number of dairy cows on farms, both in the Northwest and the United States, has increased each year since 1938, as has the number of dairy heifers. On January 1, there were 11.5 million dairy heifers under two years old on United States farms, the largest number on record and more than enough to provide for normal replacements to dairy herds during the next few years.

Consumption of dairy products in 1940 was the largest on record but it did not increase as much over 1939 as did production, chiefly because of a smaller distribution of dairy products for relief in 1940. Consumption of cheese, condensed and evaporated milk, ice cream and dried whole milk were all at record levels, however. During the first two months of 1941, consumption of dairy products was slightly smaller than in the corresponding period one year earlier.

Exports of dairy products in 1940 were more than twice the 1939 volume and were the largest in more than a decade but, nevertheless, amounted to less than 1% of total production. During the World War, dairy product exports reached a peak of about 2.5 billion pounds (milk equivalent) compared to the 478 million pounds exported in 1940.

Stocks of five dairy products combined (milk equivalent) declined less than seasonally throughout the first quarter of 1941 and on April 1 were 21% larger than one year earlier. On January 1, cold storage stocks of butter were smaller than one year earlier and were only 75% of the 5-year median for that date. On April 1 there was somewhat more butter in cold storage than one year earlier and holdings were 101% of the 5-year median. Cheese stocks were 143% of normal on April 1 compared to 119% on January 1, 1941.

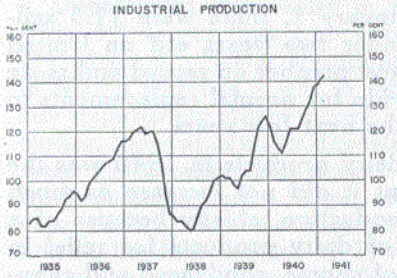
Prices of dairy products were favorable to producers throughout 1940 and, during the first quarter of 1941, prices were slightly higher than during the corresponding period of 1940. The price of 92 score butter in Chicago averaged 30.8 cents per pound in March compared to 28 cents one year earlier. On April 3, the United States Agricultural Department reported that it had adopted a price pegging program and stated that the government contemplates making purchases in the butter market sufficient to keep the Chicago butter price at 31 cents a pound.

DAIRY STATISTICS FOR THE UNITED STATES

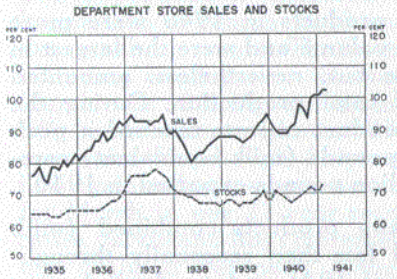
(Compiled by the U. S. Dept. of Agriculture)

	Number of Dairy Cows January 1 (thous.)	Number of Dairy Heifers January 1 (thous.)	(In Millions of Pounds) Dairy Products (Milk Equivalent) Milk Production	Human Consumption	Exports	Stocks January 1	Stocks April 1	Index of§ Dairy Product Prices
1924-29 Avg..	22,373	8,724	96,630	94,538	470	2,018	....	154
1930.....	23,032	10,048	103,016	100,726	317	3,127	....	137
1935.....	26,069	10,246	104,247	102,536	132	2,453	842	108
1936.....	25,439	10,228	106,009	102,744	107	2,131	961	119
1937.....	24,993	10,262	105,958	104,484	123	3,146	1,385	124
1938.....	24,834	10,261	110,081	105,195	160	2,398	1,386	109
1939.....	25,088	10,809	111,384	110,325	191	4,576	2,776	104
1940.....	25,397	11,217	113,898	110,564	478	2,748	1,372	113
1941.....	25,917	11,474	104%‡	98%†	...	2,678	1,663	118*

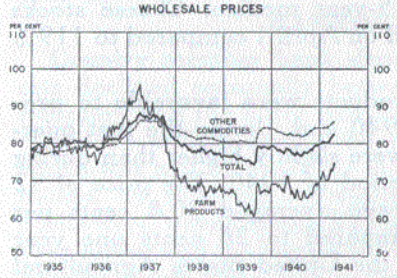
§Monthly Average August 1909-July 1914=100. †Per cent 1st two months of 1941 of corresponding period of 1940. *Index number for March 1941. ‡Per cent first quarter 1941 of 1st quarter 1940.



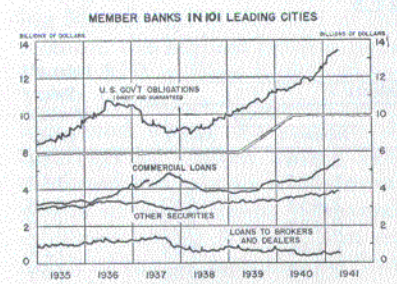
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to March 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to March 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ended April 12, 1941.



Wednesday figures, January 2, 1935 to April 16, 1941. 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, APRIL 19, 1941

Industrial activity increased further in March but declined somewhat in the first half of April owing to temporary reductions in output of bituminous coal and automobiles. Wholesale prices of many commodities advanced considerably and the Government took steps to limit price advances of some additional industrial materials.

PRODUCTION: Volume of industrial output continued to increase in March and the Board's seasonally adjusted index rose from 141 to 143 per cent of the 1935-39 average. Activity increased further in most durable goods industries, particularly in those producing machinery, aircraft, ships, and armament. Steel production increased to about 100 per cent of the rated capacity.

Automobile production, which usually increases considerably in March, showed little change from the high rate reached in February. In the first half of April output was reduced considerably owing to a shutdown at plants of the Ford Motor Company during an industrial dispute which was settled about the middle of the month. Retail sales of new and used cars advanced to new peak levels in March and dealer's stocks at the beginning of April amounted to about a month's supply at the current rate of sales. Output of lumber, which had been sustained at unusually high levels during the winter months, rose less than seasonally.

Activity in the textile and shoe industries increased further in March. Cotton consumption rose to a record level of 854,000 bales and there was also an increase in rayon deliveries. At wool textile mills activity was sustained at the peak rate reached in February, not showing the usual large seasonal decline, and in the chemical and rubber industries further advances were reported.

Bituminous coal production rose considerably, while output of crude petroleum was maintained in March at about the rate that had prevailed in the four preceding months. In the first half of April coal production declined sharply, however, as most mines were closed pending conclusion of contract negotiations between mine operators and the miners' union. Production of nonferrous metals continued in large volume in March and deliveries of refined copper showed a sharp rise as domestic production was supplemented by supplies received from South America.

Construction contract awards rose sharply in March and were larger than in any month since the middle of 1930, according to the F. W. Dodge Corporation data. The rise was chiefly in awards for publicly-financed work, which had been reduced considerably in January and February, and in private nonresidential projects, particularly factory construction. Awards for private residential building, which had been unusually large during the winter months, showed less than the customary seasonal rise in March.

DISTRIBUTION: In March distribution of commodities to consumers was sustained at the high level reached in February. Sales at mail-order houses and department stores increased seasonally and variety store sales showed more than the usual seasonal rise.

Freight-car loadings increased by about the usual seasonal amount. Loadings of coal and grain rose considerably, while shipments of miscellaneous freight, which in previous months had risen steadily, on a seasonally adjusted basis, showed a smaller increase than is usual at this time of year.

COMMODITY PRICES: Prices of basic commodities continued to advance sharply from the middle of March to the middle of April. There were substantial increases in prices of domestic foodstuffs and further advances in burlap, cotton, rubber, and lead. Increases were also reported in wholesale prices of a number of manufactured products and the general index of the Bureau of Labor Statistics rose two points to 83 per cent of the 1926 average.

Informal action was taken by the Government to discourage price increases of some additional industrial materials and maximum price schedules were established for steel, bituminous coal, secondary and scrap aluminum and zinc, and iron and steel scrap. Sharp reductions in prices of some kinds of nonferrous metal scrap resulted. Announcement of an expanded Federal purchase program for hog, dairy, and poultry products was followed by price increases for these and related products.

BANK CREDIT: Total loans and investments at reporting member banks in 101 cities increased during March and the first two weeks of April. Commercial loans continued to rise substantially, and holdings of United States Government securities increased further, reflecting purchases of new Treasury offerings.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States Government securities declined irregularly from March 15 to April 9 but subsequently rose slightly. The 1960-65 bonds showed a net loss of about ¾ of 1 point on April 15, following a rise of about 3¼ points in the previous month. The yield on this issue on April 15 was 2.14 per cent, compared with 2.03 per cent at the all-time peak in prices on December 10, and 2.30 per cent at the recent low in prices on February 15.