MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 318) **Federal Reserve Bank, Minneapolis, Minn.** **June 28, 1941**

Business activity continued to rise during May and was at the highest level since 1930. Bank deposits continued to expand. Farm prices advanced further and farmers' cash income from marketings was above a year ago.

BUSINESS

May business volume in this district advanced from April and continued to be at the highest level since 1930. After adjusting for seasonal variation, all but one of our general business indexes were higher in May than in April and except for isolated high points, all were at the highest levels since 1929 or 1930. The index of bank debits at 94 cities advanced one point and, with the exception of May 1940, was at a higher point than for any other month since May 1930. The bank debits at farming centers index rose five points to the highest level since October 1929. Both city and country department store sales indexes advanced sharply and were at the highest May levels on record. The country lumber sales index was at the highest May level since 1929 and both of the carloading indexes were at higher levels than for any other May since early in 1930. The Minnesota index of employment rose to the highest point on record and farm product prices advanced to the highest level since July 1937.

Northwest Business Indexes

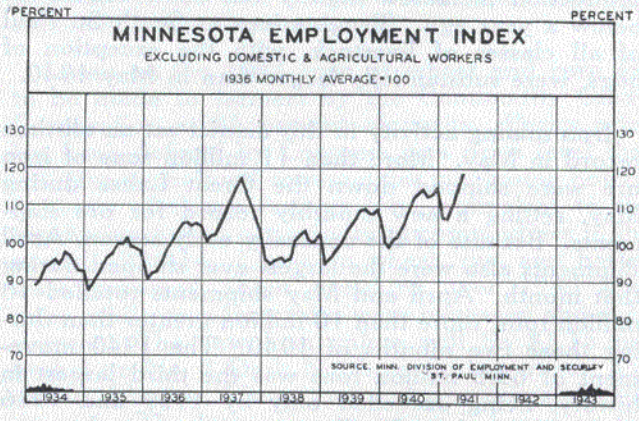
Adjusted for Seasonal Variation—1935-39 = 100

	May 1941	Apr. 1941	May 1940	May 1939
Bank debits—94 cities	125	124	126	104
Bank debits—farming centers	133	128	112	104
Country check clearings	137	131	116	105
City department store sales	124	119	110	104
City department store stocks	109	107	105	101
Country department store sales	126	117	110	104
Country lumber sales	128	127	124	119
Miscellaneous carloadings	130	127	101	97
Total carloadings (excl. miscellaneous)	152	155	117	96
Employment—Minn. (unadj. 1936=100)	119	114	106	102
Farm Price—Minn. (1924-26=100)	89	85	72	68

Department store sales in this district in May were 14 percent larger than in May 1940 and were the largest for the month in our 13-year records. Each retail trade section in the district experienced an increase, country stores averaging 15 percent and city stores 13 percent above one year earlier. Cumulative sales for the first five months of 1941 were 8 percent above the corresponding period of 1940. South Dakota stores reported the largest increase both for the month of May and on a cumulative basis.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% May 1941 of May 1940	Cumulative % 1941 of 1940
Total District	250	40	114	108
Mpls., St. Paul, Dul.-Sup.	18	4	113	109
Country Stores	232	36	115	107
Minnesota	77	6	119	107
Central	9	1	117	107
Northeastern	8	1	123	107
Red River Valley	5	1	117	106
South Central	20	2	117	104
Southeastern	14	0	115	108
Southwestern	21	1	120	106
Montana	31	13	106	105
Mountains	9	4	111	108
Plains	22	9	103	104
North Dakota	39	11	114	104
North Central	8	1	116	102
Northwestern	6	1	141	113
Red River Valley	13	6	105	100
Southeastern	11	3	116	104
Red River Val.-Minn. & N. D.	18	7	107	101
South Dakota	29	3	122	112
Southeastern	8	0	129	117
Other Eastern	14	1	119	109
Western	7	2	104	95
Northern Wisconsin & Mich.	56	3	117	109
Northern Wisconsin	17	2	117	110
West Central Wisconsin	29	1	119	109
Upper Peninsula Michigan	10	0	111	109



Construction contracts awarded in this district in May were the largest for any month since June 1923. The F. W. Dodge Corporation reported that contracts totalling $16.3 million were awarded in May compared to $9.6 million in April and $9.6 million in May 1940. During the first five months

of 1941, total contracts awarded totalled $43.5 million, 58 percent larger than in the corresponding period of 1940 and the largest for that period since 1926. Residential awards during May were slightly larger than one year earlier and were in the largest monthly volume since June 1924 except for June 1937 when a contract for a large U S H A housing project in Minneapolis was awarded. Commercial and industrial building contract awards were the largest for any month since July 1930 and November 1929, respectively. Construction contracts for public utilities were the largest for May since 1937. Public works contracts were double one year earlier and were in the largest monthly volume since September 1935. Other classes of building showed mixed trends but on the whole were substantially larger than a year earlier.

The valuation of building permits issued in May in eighty-six cities and towns in this district was 17 percent larger than in May 1940. Northern Michigan, Minnesota, South Dakota and Northern Wisconsin cities all reported substantially larger building volumes in both May and the first five months of 1941 than one year earlier, but Montana and North Dakota cities reported declines.

Manufacturing production in this district in May as measured by the following indicators advanced further from the April level and was at the highest level for the month in more than a decade. The index of Minnesota manufacturing employment increased to 120 percent of the 1936 average and was higher than in any other month in our 8-year records. Electric power production advanced from April, was 36 percent above May 1940 and was the largest May production on record. Linseed oil shipments declined seasonally but were about half again as large as in May 1940 and the largest for May on record. The cut of lumber also declined seasonally but was slightly larger than in May last year. Flour production increased slightly but continued to be below a year ago. Slaughterings at South St. Paul of all classes of livestock, with the exception of hogs, were substantially larger than in May 1940.

Iron mining activity in this district set an all-time record in May. More than 11 million tons of iron ore were shipped down the Great Lakes during May, setting a new monthly record for ore shipments. Because of the unusually early season, April shipments also were the largest ever shipped during that month. April and May shipments totalled 18 million tons, more than 10 million greater than during those two months of 1940. The 1940 movement of 63.6 million tons was the third largest in history, being exceeded only by 1929 and 1916 when 65.2 and 64.7 million tons, respectively, were shipped.

Other business activity indicators for this district that were as high or higher in May than a year earlier were new car registrations; mortgages accepted for FHA insurance; carloadings of coal, coke, forest products, grain and less-than-carload freight; and, as reported by the Bureau of the Census, wholesales of automotive supplies, electrical goods, groceries and hardware. Indicators that were lower than a year ago were life insurance sales, net telephone installations in the Twin City area and carloadings of livestock. **Business failures** during May were the smallest on record for the month.

BANKING

City member bank loans declined during the first two weeks of May as Commodity Credit Corporation wheat and rye loans continued to be repaid. During the following four weeks, loans increased about $9 million and on June 11 totalled $210 million, $23 million larger than one year earlier and the largest volume for that date since 1931. Investments declined slightly during May but $2 million of Treasury bills and $4 million of United States Government bonds were purchased during the first days of June raising total investments to $223 million on June 11, about $11 million higher than a year ago. Deposit volumes continued to expand, reaching a total on June 11 of $675 million, a new high record. Since the spring of 1933, the volume of deposits in city banks has more than doubled and deposits are now about half again as large as in the fall of 1927, the high point for deposits prior to 1933. About 39 percent of 1933-41 increase occurred in deposits of other domestic banks.

Country member bank earning assets declined $7 million between the latter half of April and the latter half of May reflecting the maturity of Commodity Credit Corporation wheat and rye loans. Earning assets, nevertheless, were about $19 million larger than in the latter half of May 1940, and were the largest for that period since 1932. Deposits increased slightly and were $34 million larger than a year earlier.

The reserve position of Ninth District member banks as indicated by the daily average of deposits and reserves for the last half of May was as follows:

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
Country Banks ..	$ 58,662,000	$ 34,116,000	$24,546,000
City Banks	112,492,000	68,436,000	44,056,000
9th Dist. (1941)...	$171,154,000	$102,552,000	$68,602,000
9th Dist. (1940)...	158,234,000	95,179,000	63,055,000

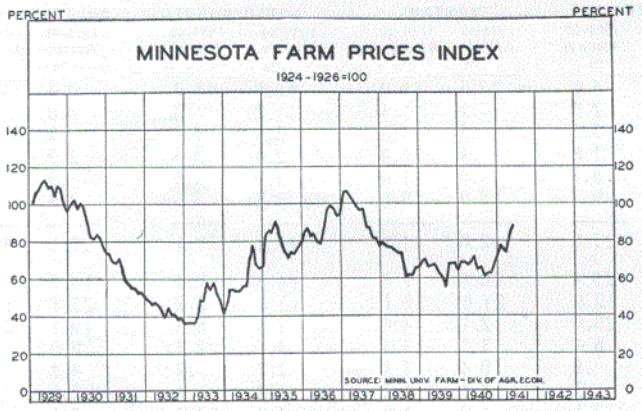
AGRICULTURE

Farmers' cash income from marketings in May as estimated by us was about 10 percent above one year earlier, chiefly because of larger receipts from hogs and dairy products. According to estimates made by the U S D A, farmers' cash income from marketings in this district during the first four months of 1941 was 3 percent larger than in the corresponding period last year. Government payments, however, having been made last fall, were

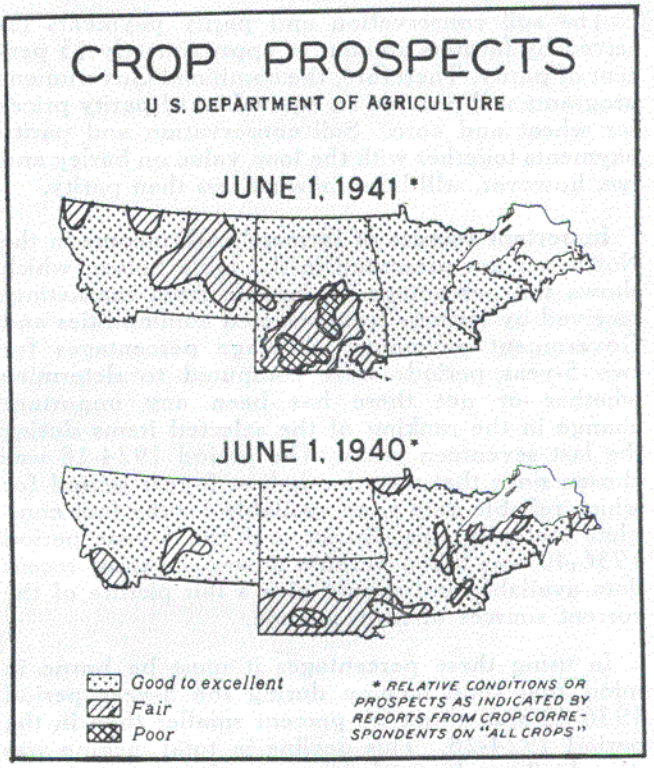
substantially smaller than one year earlier and as a result total cash income during the first four months was 4 percent below that period in 1940.

Livestock movement during May showed mixed trends when compared to one year earlier. Cattle receipts at South St. Paul were 5 percent larger than in May 1940, but calf receipts were somewhat smaller. Marketings of hogs continued to be smaller but sheep receipts were 19 percent larger than in May 1940. During the first five months of 1941, cattle receipts were 5 percent and sheep receipts 17 percent larger than during the corresponding period last year. The volume of calf receipts was about the same but hog receipts were 19 percent smaller than during the first five months of 1940. Shipments of stocker and feeder cattle from South St. Paul in May were 12 percent larger than one year earlier. Shipments during the first five months were about 10 percent above the corresponding period in 1940.

Agricultural product prices advanced in May to the highest level since July 1937. The price of butter rose 3 cents a pound to the highest May level since 1929 and eggs advanced about 1½ cents a dozen, the highest May level since 1935. The price of butter and eggs usually declines at this season. Wool rose 1 cent to 34 cents per pound, the highest it has been since 1929. Hog prices at South St. Paul averaged $8.85 in May compared to $8.40 in April and $5.60 in May 1940. Cattle prices were unchanged from April levels, and prices of lambs and ewes declined. Poultry prices also declined somewhat. Bread wheat advanced about 4 cents a bushel and durum about 3 cents a bushel. All other classes of grain, with the exceptions of oats and flax, also advanced during the month. All of the grains, however, with the exceptions of corn and durum wheat, were selling at somewhat lower prices than one year earlier.



Crop prospects as of June 1 in this district were classified in general by the Agricultural Marketing Service as good to excellent with only isolated areas having unfavorable crop conditions. On the whole, prospects were only slightly less favorable than one year earlier. During the first two weeks of June, rainfall was abundant throughout the district, improving crop prospects in most areas.



United States cold storage holdings of butter and cheese increased more than seasonally during May and on June 1 butter was more than double and cheese 41 percent above the June 1 five-year median. Egg holdings increased seasonally and were about normal on June 1. Poultry stocks declined more than usual during the month but, nevertheless, were about one-third larger than normal. Pork and beef supplies declined less than seasonally and were half again as large as the June 1 median. Lamb and mutton and lard in cold storage were also substantially larger than usual.

Loans on the 1941 crop of wheat and corn are to be made to farmers by the Commodity Credit Corporation at 85 percent of parity. Parity price has been defined by Congress as a price level that will give agricultural commodities purchasing power, in terms of things farmers buy, equivalent to the purchasing power of agricultural commodities in the period 1909-14. Loans on wheat, rye, and barley were increased about one-third over 1940 loan rates, while corn loan rates were increased about 22 percent. The new loan values will be $1.15 per bushel on No. 1 Dark Northern Spring wheat, 45c on No. 1 barley, 50c on rye, and approximately 70c on corn. The loan price on wheat is based on the Minneapolis price, therefore, freight charges to Minneapolis and approximately 3 cents per bushel for handling must be deducted from the $1.15 loan rate to derive the actual amount received by the farmer. These deductions are not made for barley,

rye, and corn since the loan rates on these crops are based on farm storage.

The soil conservation and parity payments received by farmers amount to approximately 15 percent of parity. Therefore, the combined Government programs will provide an equivalent of parity prices for wheat and corn. Soil conservation and parity payments together with the loan value on barley and rye, however, will be somewhat less than parity.

Important sources of farmers' cash income in the Northwest are presented in the table below, which shows the percentage of income from marketings received by farmers from selected commodities and Government payments. Average percentages for two 5-year periods were computed to determine whether or not there has been any important change in the ranking of the selected items during the last seventeen years. The period 1924-28 was chosen since that was the earliest 5-year period for which reliable data were available for the four complete states in this district and the 5-year period 1936-40 was taken because it was the most recent data available and should give a fair picture of the current sources of farm income.

In using these percentages it must be borne in mind that total income during the 5-year period 1936-40 was about 30 percent smaller than in the period 1924-28. This decline in total income was due chiefly to lower farm commodity prices during the 1936-40 period. Agricultural product prices, of course, did not all decline the same amount and cash income figures reflect these differences. Grain prices averaged approximately 31 percent lower during the latter period than during 1924-28 while livestock and livestock product prices averaged about 20 percent lower.

Milk and milk products provided the largest single source of income to farmers in the Northwest during the five years 1936-40. Income from dairy products ranged from 25 percent of total income from marketings in Minnesota to 10 percent in Montana and averaged 20 percent for the four states. Other important sources of cash income ranked in the following order: cattle and calves, hogs, wheat, Government payments, chickens and eggs, sheep and lambs, corn, flaxseed, barley, wool and potatoes.

During the period 1924-28, wheat was the largest single source of cash income but it ranked fourth in the 1936-40 averages. During this period, income from crops declined from an average of 41.9 percent of the income from marketings in 1924-28 to 30.6 percent in 1936-40, while livestock and livestock products increased from 58.1 percent to 69.4 percent. Part of this shift, of course, is accounted for by the lower relative prices for grains than for livestock and livestock products during the 1936-40 period, but the major portion is due to changes in production practices. Northwest farmers were placing more emphasis upon livestock farming in the period 1936-40 than they were in 1924-28.

PERCENT OF MARKETING INCOME RECEIVED BY NORTHWEST FARMERS FROM SELECTED ITEMS 1924-28 AND 1936-40 AND FROM GOVERNMENT PAYMENTS 1936-40

	4 STATES		MINNESOTA		MONTANA		NORTH DAKOTA		SOUTH DAKOTA	
	1936-40 Average %	1924-28 Average %	1936-40 Average %	1924-28 Average %	1936-40 Average %	1924-28 Average %	1936-40 Average %	1924-28 Average %	1936-40 Average %	1924-28 Average %
Wheat	13.9	22.5	5.1	6.8	27.3	39.0	36.8	48.0	9.4	14.0
Corn	3.0	2.4	4.6	2.8	.1	.1	.2	.2	3.0	5.6
Flaxseed	2.4	4.4	3.3	3.5	.5	1.8	2.5	8.4	.9	3.2
Barley	2.4	2.1	3.0	1.8	.4	.4	2.0	3.5	2.3	2.2
Potatoes	1.8	2.2	1.8	3.7	.8	1.0	3.9	1.4	.5	.9
Other Crops	7.1	8.3	7.6	9.2	12.9	9.6	3.8	8.6	4.4	5.0
Total Crops	30.6	41.9	25.4	27.8	42.0	51.9	49.2	70.1	20.5	30.9
Milk and Milk Products	20.2	15.5	25.3	25.4	10.0	7.8	16.5	8.4	14.7	9.7
Cattle and Calves	18.3	13.4	16.3	12.0	21.8	18.1	15.6	8.2	25.1	18.6
Hogs	15.4	17.2	19.8	23.0	2.1	4.0	7.5	6.5	19.1	26.7
Chickens and Eggs	6.7	6.2	8.2	8.6	3.5	3.3	3.1	2.8	8.0	7.0
Sheep and Lambs	3.6	1.7	2.1	.8	10.4	7.1	2.7	.7	4.2	1.2
Wool	2.0	1.2	.6	.3	8.3	6.2	1.4	.4	2.3	.7
Other Livestock & Livestock Products	3.2	2.9	2.3	2.1	1.9	1.6	4.0	2.9	6.1	5.2
Total Livestock & Livestock Products	69.4	58.1	74.6	72.2	58.0	48.1	50.8	29.9	79.5	69.1
Total Income from Marketings	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
*Government Payments	10.7	...	6.2	...	11.7	...	19.5	...	16.1	...

*Expressed as a percentage of total income from marketings.