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

Vol. 8 (Serial No. 5) **Federal Reserve Bank, Minneapolis, Minn.** **May 28, 1942**

Business volume in April reached a new high for the month but was slightly smaller than in March. Member bank deposits declined in April but city bank deposits returned to high levels in early May. Farmers' cash income decreased slightly from that of March but was more than 50 per cent greater than last year.

BUSINESS

Business activity in April in the Ninth District according to most of our seasonally adjusted indexes continued at the high level of the first quarter of the year. The volume of money transfers and transactions as indicated by bank debits and country check clearing indexes was a little lower in April than in March but shipments of commodities and retail sales were up by more than the usual amount. Most of the April 1942 index figures in the table on the following page were the highest recorded for that month.

Building and construction contracts in April as reported by the F. W. Dodge Corporation were largely for one family dwellings. Other types of residential buildings were second in importance. Commercial and manufacturing structures added about $1 million, and were one-fourth of the total. Total contract awards, as well as total building permits, however, were only about half as large as in April last year.

Iron ore shipments in April exceeded those of April last year by nearly a million tons and established a new high record for the month. To assist in attaining the season's objective of 90 million tons of iron ore, ODT General Order No. 8 prohibited the use of bulk cargo vessels for the transport of any commodity other than iron ore without special permit after May 15. In addition, carriers have developed a transport "pool" which will permit any vessel to carry ore for discharge at any of the steel mills instead of only at their own docks.

GUARANTEED LOANS TO NINTH DISTRICT WAR CONTRACTORS

	Number	Amount
Applications received	30	$3,535,900
Loans guaranteed	20	1,388,200
Referred to other agencies or ineligible	2	1,604,000
Pending	8	493,700

WAR BOND SALES SERIES E—NINTH DISTRICT

(Exclusive of sales through post offices)

	Amount	Number		Amount	Number		Amount	Number
May 1941	$1,641,000	12,059	September	$2,072,000	18,306	Jan. 1942	$16,512,000	191,251
June	1,456,000	11,462	October	2,687,000	24,371	February	9,014,000	123,996
July	2,261,000	17,096	November	2,550,000	25,319	March	8,676,000	137,939
August	1,902,000	16,103	December	8,857,000	114,503	April	9,036,000	125,538
						May 1-15	6,268,000	105,885

Sales at Department Stores

	Number of Stores Showing Increase	Decrease	% Apr. 1942 of Apr. 1941	Cumulative % 1942 of 1941
Total District	246	57	107	118
Mpls., St. Paul, Dul.-Sup.	16	6	106	117
Country Stores	230	51	108	118
Minnesota	68	14	108	122
Central	7	2	109	130
Northeastern	7	2	113	121
Red River Valley	5	0	122	135
South Central	23	0	114	128
Southeastern	10	4	96	112
Southwestern	16	6	105	119
Montana	26	16	97	105
Mountains	9	4	99	107
Plains	17	12	95	103
North Dakota	36	12	102	119
North Central	7	1	114	133
Northwestern	4	2	98	110
Red River Valley	12	7	101	119
Southeastern	12	2	102	119
Red R. V.-Minn. & N. Dak.	17	7	104	121
South Dakota	44	5	111	116
Southeastern	11	3	107	113
Other Eastern	24	2	111	117
Western	9	0	143	135
Wisconsin & Michigan	56	4	120	128
Northern Wisconsin	19	1	125	128
West Central Wisconsin	29	2	124	132
Upper Peninsula Michigan	8	1	105	117

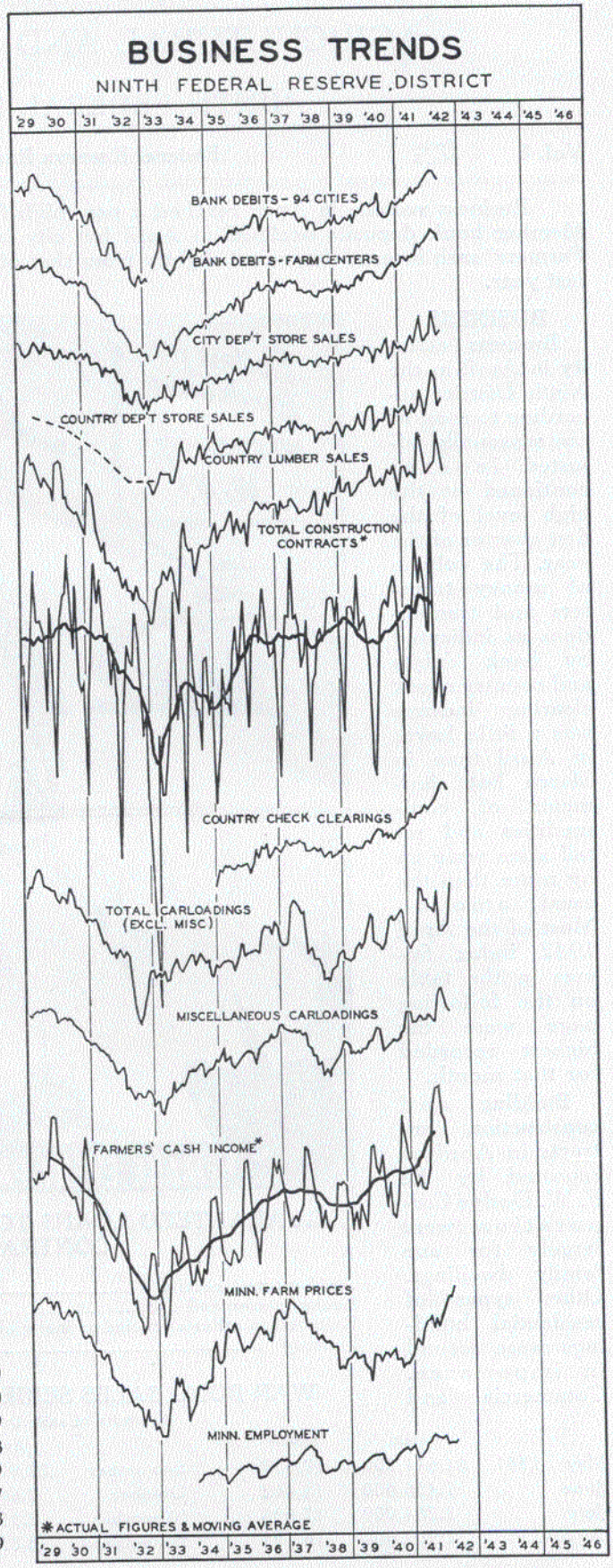
Copper produced in April in this district declined slightly from the four-year high of March. The total for the first four months of 1942, however, was about as great as in the first four months of 1937, the largest since 1929.

The volume of manufacturing production in this district in April declined slightly from the high level of the preceding three months but was larger than in April last year. Cattle, hog and sheep slaughterings at South St. Paul were all well above the April 1941 volume. Calf slaughter was down less than 1 per cent. Flour production was smaller than a year earlier. Linseed oil and cake shipments were unchanged. Lumber cut in this district was well above the April 1941 volume. The Minnesota Division of Employment and Security index of manufacturing employment advanced 2 points to 122 compared with 114 in April 1941.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

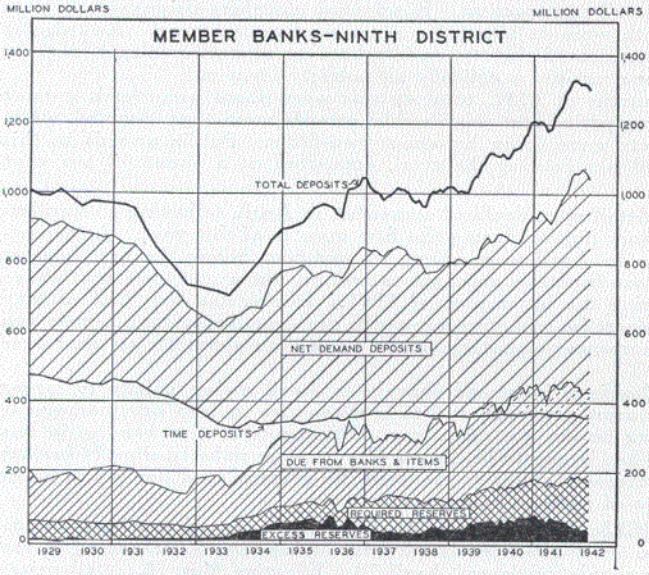
	Apr. 1942	Mar. 1942	Apr. 1941	Apr. 1940
Bank Debits—94 cities	140	145	124	116
Bank Debits—farming centers	149	159	128	113
Country check clearings	164	172	131	113
City department store sales	129	124	119	110
City department store stocks	144	140	102	100
Country department store sales	130	122	117	109
Country lumber sales	129	155	127	118
Miscellaneous carloadings	133	136	127	99
Total carloadings (excl. miscellaneous)	162	117	155	97
Employment—Minn. (Unadj. 1936 = 100)	122	120	114	103
Farm Prices—Minn. (1924-26 = 100)	120	110	85	69



BANKING

City member bank deposits dropped sharply at the end of April as is customary but the decline was not as great as in other recent years and the total rebounded in early May to the highest point on record. During April, loans to customers increased until they approached the all-time high of last December but during the first two weeks of May dropped to the lowest level since early last fall. After dropping to the lowest level in four years in April, excess reserves climbed sharply in early May to nearly $33 million but have since been reduced through transfers to correspondents. Total cash and reserves, however, on May 6 were $300 million, the highest level ever recorded.

Country member bank deposits declined in April to the lowest level since last October. As a result of this decline and an increase in earning assets, reserves with us dropped $6 million, reducing excess reserves of country banks to less than $18 million, the lowest since April 1939.



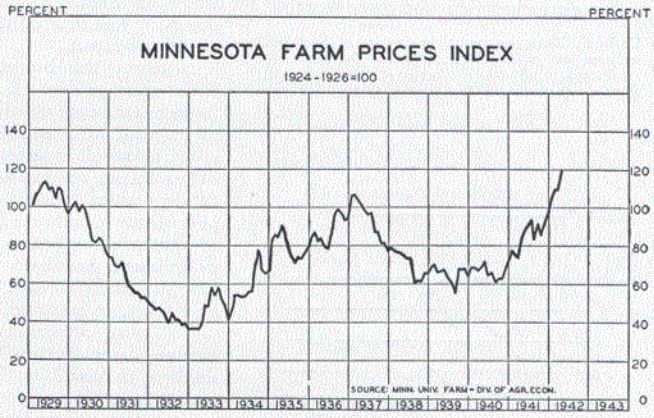
Excess reserves of all member banks in the Ninth District for the latter half of April were nearly $32 million, about two-thirds as large as the same period in 1941.

Guaranteed loans to war contractors. Of the 30 applications for guarantee on bank loans to war contractors placed in the Ninth Federal Reserve District since the regulation went into effect April 6th, 17 were from firms employing less than 25 persons and in the majority of cases, approval would enable the firm to secure its first war contract.

AGRICULTURE

Farmers' cash income in April from the sale of ten major farm products continued to be more than half again as large as in the same month last year. Income from the sale of every item, with the exception of durum wheat, was larger than a year ago with income from hogs showing the greatest increase.

Farm product price trends in April were mixed. Livestock and livestock product prices were higher than in March and far above prices in April last year. Grain prices on the other hand were mostly lower in April than in March but were also well above the April 1941 levels.

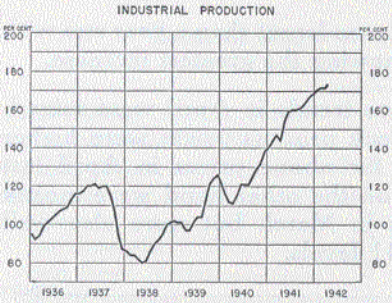


Livestock marketings at South St. Paul were about as large in April as in March except for a 50 per cent decline in sheep and lamb receipts, and were well above the April 1941 volume. On May 1, the condition of livestock on the ranges and on farms was better than average. Good percentages for calf and lamb crops are reported. Grass on the early ranges was a little short but the outlook for early and late summer feed is better.

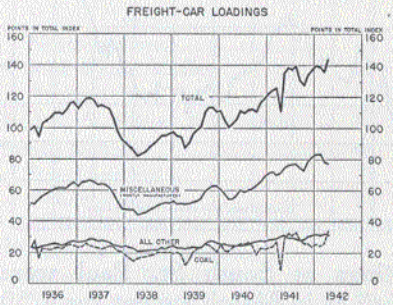
Crop prospects. Better-than-average condition of winter wheat and rye at the middle of May indicates an above-average yield, which, if realized, will result in crop production far above that obtained last year. Other small grain crops were between 50 and 75 per cent seeded by May 15. Soil conditions were generally good but cold, wet weather was delaying small grain seeding in some of the northern, heavy-soil sections of the district. This delay may result in some additional increase in flax acreage with resultant decreases in acreages of other grains, especially wheat.

Weather has delayed corn planting but, in general, the additional rainfall in early May has improved crop prospects. May 1 farm stocks of hay (reserve feed) were much higher than a year ago in Minnesota, North Dakota and South Dakota but were somewhat smaller in Montana.

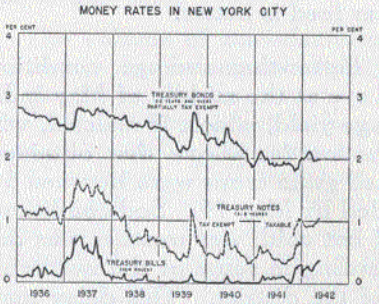
Cold storage holdings changed seasonally in April except butter and cheese. Butter stocks dropped 8 million pounds instead of showing the customary small increase during the month and cheese stocks climbed 16 million pounds to 204 million, the largest amount in our 13-year records.



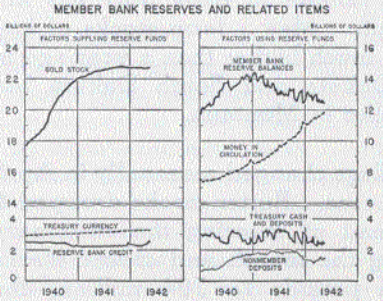
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for April, 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for April, 1942.



Weekly averages of daily yields on Treasury notes and bonds and average discount on new issues of Treasury bills offered within week. Latest figures shown are for week ended May 16, 1942.



Wednesday figures. Latest figures shown are for May 20, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 23, 1941

Industrial activity increased in April and the first half of May reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

PRODUCTION: Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general, output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, nonferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the F. W. Dodge Corporation, was almost one-fifth below the high March total, reflecting a decline in publicly financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

In the first four months of 1942, total awards were about one-fourth greater than in the corresponding period last year; public awards more than doubled, while those for private projects were down by about two-fifths. Public awards in this period made up over 70 per cent of the total, compared with about 40 per cent last year.

DISTRIBUTION: Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter average, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got underway. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

COMMODITY PRICES: Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

BANK CREDIT: During the five weeks ended May 20 Federal Reserve Bank holdings of Government securities increased by about 200 million dollars, while currency in circulation rose by 260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of 300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks in New York City and in the Kansas City district.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May. Rates on current Treasury bill issues rose from about 0.20 per cent in March to 0.36 per cent in May. The Federal Open Market Committee announced on April 30 that Federal Reserve Banks stood ready to purchase all Treasury bills offered at 0.375 per cent.