# MONTHLY REVIEW

OF

## AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

## NINTH FEDERAL RESERVE DISTRICT

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## LOANS TO BUSINESS AND INDUSTRY

### Industrial Advisory Committee

To be sure that every industrial loan application will be considered from the business man's point of view, as well as the banker's viewpoint, the law (Section 13b of the Federal Reserve Act) calls for the formation of an Industrial Advisory Committee in each district. In this district a committee of five men was chosen who met the following requirements:

1. Success in their own businesses.
2. Knowledge of the problems of small business.
3. Representative of various parts of the district.
4. Representative of a variety of industries and businesses.

To assist the committee, an investigating department has been created in the Federal Reserve Bank, which operates under the authority of the committee. This department secures such information regarding applicants for industrial loans as the committee desires.

The committee meets frequently and reviews every industrial loan application, making its recommendations to the Federal Reserve Bank in each case. These men serve from a sense of public duty and receive no monetary compensation.

The members of the Industrial Advisory Committee are:

Chairman Sheldon V. Wood, President
Minneapolis Electric Steel Castings Company
Minneapolis, Minnesota

John M. Bush
Cleveland-Cliffs Iron Company
Negaunee, Michigan

H. C. Jewett, Sr., President
Jewett Brothers, Inc.
Aberdeen, South Dakota

C. O. Follett, President
Smith, Follett & Crowl
Fargo, North Dakota

Albert Miller, President
Miller Broom Company
La Crosse, Wisconsin

## DISTRICT SUMMARY OF BUSINESS

Business volume in the district during July and the first half of August remained at about the level of June. No change was recorded between June and July in the adjusted index numbers of bank debits or country check clearings. Slight increases occurred in the indexes of miscellaneous freight carloadings and less-than-carlot loadings, and a larger increase occurred in country lumber sales. On the contrary, the adjusted index of department store sales in the larger cities declined sharply, but this decrease loses part of its significance because similar declines have occurred in each July during the preceding three years, and it may be that a new seasonal movement is developing in this district.

### Northwestern Business Indexes

(Various base periods)

| | July 1935 | June 1935 | July 1934 | July 1933 |
|---|---|---|---|---|
| Bank debits—94 cities | 68 | 68 | 62 | 73 |
| Bank debits—Farming centers | 70 | 70 | 61 | 56 |
| Country check clearings | 124 | 124 | 99 | 89 |
| Department store sales | 71 | 78 | 61 | 61 |
| Country lumber sales | 77 | 71 | 51 | 48 |
| Carloadings—Misc. | 67 | 65 | 61 | 58 |
| Carloadings—L. C. L. | 60 | 59 | 60 | 61 |

In the first half of August, bank debits and country check clearings were in a volume which, if maintained throughout the month, would bring those indexes slightly above the July level.

Most of the business records of the district were higher in July than in the same month last year. The daily average of bank debits was 10 per cent larger than a year ago, and the daily average of country check clearings was 25 per cent larger than a year ago. Increases also occurred in all classes of freight carloadings with the exception of grains and grain products, live stock, and coal. Increases over last year were reported in building permits, flour production, linseed product shipments, copper output, grain marketings, country lumber sales, and wholesale trade. Decreases occurred in building contracts and livestock marketings.

In the first half of August, bank debits at seventeen cities were 7 per cent larger than in the same period last year, and there was an increase of 17 per cent in country check clearings.

Retail trade throughout the district was in larger

volume during July than in the same month last year. As in past months, the increase was greater in the rural sections of the district than in the larger cities. At city department stores, an increase of 16 per cent was reported over sales in July last year. Part of this increase was due to the fact that July this year had one more business day. At three hundred and sixty-three country department stores and general stores, the July sales increase over last year was 19 per cent. Every sub-section of the district shared in the increase. The largest percentages of increase occurred in southeastern, south central and north central Minnesota, in Montana, the Red River Valley, western North Dakota, southeastern South Dakota, and northwestern Wisconsin and Michigan.

## DISTRICT SUMMARY OF BANKING

Banking developments of recent weeks centered around the shifting of a portion of country bank balances from city correspondents in this district to other depositories. At the city member banks which make weekly reports to this office, there was a decrease of 16 million dollars in balances due to banks during the four weeks ending August 14. A part of this decrease may have been occasioned by the local use of funds by country banks during the height of the crop harvesting season. However, the decrease in these balances during the past few weeks has been more pronounced than in any similar period in the earlier years for which records are available. Some of these funds were evidently transferred to balances at the Federal Reserve Bank, for the daily average during July of excess reserves carried by country member banks with this Federal Reserve Bank was 8 million dollars larger than the daily average for June and reached a new peak for all time.

Aside from the movement of bank balances, discussed above, banking changes in the district were inconsequential. Other deposits of city member banks were practically unchanged. City member banks reported a seasonal increase of 5 million dollars in loans to customers during the four-week period, a decrease of 7 million dollars in investments, and a decrease of 15 million dollars in balances carried with other banks. The latter reduction was, of course, occasioned by the decrease in country bank deposits which these banks had experienced during this period.

Country member bank deposits declined by less than 1 per cent between the daily average for June and the daily average for July.

## DISTRICT SUMMARY OF AGRICULTURE

### Live Stock

**Hog receipts** at South St. Paul increased during July, contrary to the usual trend. July receipts, however, were but slightly more than half as large as receipts in July last year. In addition to the increase in the number of head received, the average weight increased nearly 10 per cent. Desirable lightweights continued scarce, resulting in a continual rise in "top" prices throughout the month, which finally reached $10.50 per hundredweight, the highest price paid since early September, 1930. Hog prices were the only prices at South St. Paul that were higher in July than in June, but prices for all classes of live stock were higher than in July last year.

During the first half of August, hog receipts have been declining, hog prices continuing to reach new "highs" each week. On August 14, a few lots reached $12.00 per hundredweight, the highest price paid at South St. Paul since September, 1928.

**Cattle receipts** during July increased seasonally when compared with June, but were much smaller than the abnormally large receipts of July a year ago. Choice grain-fed cattle were scarce, a great majority of the receipts being "grassy." The increased receipts and the lowering of the average quality, together with some decrease in consumers' demand because of the hot weather, resulted in further moderate declines in butcher cattle prices for July.

Demand for stocker and feeder cattle was moderately strong during July, resulting in larger shipments than in any month since last November. The demand, however, was not strong enough to result in any increase in prices with the exception of stocker heifers, the price of which advanced moderately during the month.

In early August, butcher cattle receipts continued to be less than in the corresponding period last year. Cattle prices showed little change during the first half of August, but they were slightly stronger than at the first of the month. The strength in butcher cattle prices and the apparent market scarcity of high quality beef cattle, broadened the demand for the better kinds of stockers and feeders and resulted in some price increases.

**Sheep and lamb receipts** increased seasonally during July and were somewhat larger than in the same month last year. Prices for fat lambs fluctuated erratically during the month, although the median price computed in this office remained the same as in June, $8.25. Slaughter ewe prices declined gradually during the month to the lowest level since last November. Country demand for feeder lambs raised prices from a low of $4.50 early in the month to a high of $6.25 in the last week of July.

Sheep and lamb receipts continued larger during the first half of August than in the same period last year at both South St. Paul and the seven midwestern markets. Fat ewe prices continued steady during the first half of August while prices of both fat and feeder lambs rose moderately.

### Farm Income and Prices

The cash income of farmers in the four complete states of the district was estimated by the Government at $34,438,000 for June, 1935, and $208,977,000 for the first six months of 1935. Compared to last year's totals, this was a decrease of 5 per cent for June, and an increase of 9 per cent for the first six months.

**Cash Income of Farmers in Minnesota, North Dakota, South Dakota and Montana**

(000's omitted)

| | June, 1935 | June, 1934 | First 6 Months 1935 | First 6 Months 1934 |
|---|---|---|---|---|
| Crops | $ 3,397 | $ 6,657 | $ 26,807 | $ 43,191 |
| Live stock and live stock products | 29,848 | 27,552 | 154,619 | 129,060 |
| Rental and benefit payments | 1,193 | 1,918 | 27,551 | 19,999 |
| Total | $34,438 | $36,127 | $208,977 | $192,250 |

Our estimates of farm income in July from six important items were 16 per cent larger than our estimates for July last year. The increase was due to larger income from marketings of bread wheat, dairy products, and hogs, which more than offset decreases in income from durum wheat, rye, and flax. July cream checks were 11 per cent above last year's total due to an increase of 10 per cent in butter production in the district during June and a butterfat price slightly higher than a year ago. Higher prices were responsible for a 13 per cent increase in hog income. Larger marketings caused a 48 per cent increase in bread wheat income.

Prices of all kinds of live stock and of hens and eggs were higher in July than a year ago. In fact, the median prices of heavy butcher steers, stocker and feeder steers, and hogs were more than twice as high at South St. Paul as a year ago in July. On the other hand, the prices of bread wheat and butter during July were about the same as a year ago, and prices of most of the other grains were lower than last year's figures. The effect of price changes during July is shown in the index of the University of Minnesota which declined from 79.3 in June to 74.0 in July. However, the July index was higher than for the same month in any preceding year since 1930.

### Crops

The August 1 government crop estimates reflected the extremely heavy damage to spring wheat by rust and excessive heat during July. Many thousands of acres of bread wheat in the Ninth Federal Reserve District will not be harvested, and early threshing reports indicate that the yield from many more thousands of acres will not be sufficient to pay harvesting costs. The damage was greatest in spring bread wheat and smaller, but nevertheless exceptionally large, in durum wheat and barley.

Apparently all varieties of spring bread wheat, including the reputedly rust resistant "Ceres," suffered from the severe rust infection this year with the single exception of "Thatcher." This variety of wheat, which shows a very marked resistance to rust, was developed at the Minnesota Experiment Station and was released for commercial production a few years ago. While the seed supplies have not been sufficient to permit a general substitution of Thatcher wheat for the older varieties, this office has had reports from a number of localities where yields of Marquis and Ceres have been sharply reduced by rust, but Thatcher wheat has produced a bumper crop of around 30 bushels to the acre of full-weight, plump wheat. Ceres wheat is still one of the varieties recommended by the Minnesota Crop Improvement Association, but the greater rust resistance of Thatcher this year has resulted in a strong demand for the latter variety. Reports from the field indicate that practically all Thatcher wheat is being sold direct from the separator at seed wheat prices, and many orders for Thatcher for 1936 seeding have been received at Experiment Stations at Crookston, Morris, and St. Paul, Minn.

The August 1 production forecasts for the cash crops, flax, and potatoes, and for the feed crops, corn and hay, were higher than those of July 1. Forecasts for oats and rye, as well as for barley and wheat, were smaller than on July 1. Threshing reports and early receipts of barley at Minneapolis indicate that a large proportion of the crop is lightweight. Receipts of 1935 grain at Minneapolis and reliable reports from railroads, grain firms, and line elevator houses all indicate that farmers are marketing only enough grain to liquidate their pressing obligations and are holding the balance on the farm.

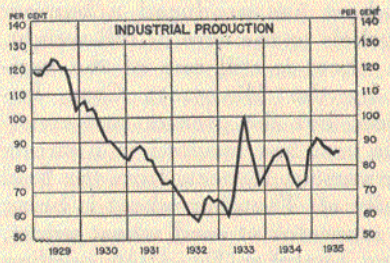
While tables showing individual crop estimates by states do not appear in this review, the figures are available at our office and will be furnished to any of our readers upon request.

### Cold Storage

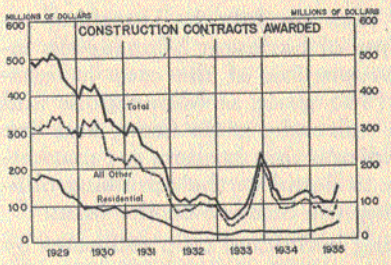
Cold storage holdings of pork continued to decline during July at a much more rapid rate than normal and on August 1 were only slightly more than half as large as the five-year average for that date. Stocks of lard declined for the fifth successive month, in contrast to the normal seasonal increase during July. On August 1 lard stocks were only one-third as large as on the same date last year and only 44 per cent of the five-year average. A year ago lard stocks in cold storage were one-third larger than the five-year average, but the small output since then has caused the disappearance of this excess supply. Furthermore, the United States spring pig crop this year was 20 per cent smaller than the very small crop of 1934, so there will be little opportunity during the coming hog marketing season to rebuild cold storage reserves to the average amount.

Stocks of beef and other meats decreased moderately during July instead of showing the customary small increases.

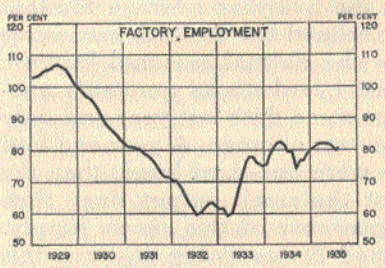
Cold storage stocks of dairy products all increased during July by amounts a little larger than normal. The unusually large increase in butter stocks made the August 1 holdings nearly 20 per cent above the five-year average, but cream and cheese stocks were still smaller than the average. Holdings of eggs and of poultry showed the usual tendencies during July. Stocks of eggs remained smaller than the five-year average but on August 1 were a larger percentage of that average than on the first of any month since last December.



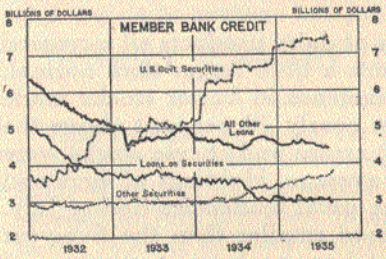

Index number of industrial production, adjusted for seasonal variation. (1923-1925 average—100.)




Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for June and July and estimate for August.




Index of factory employment, adjusted for seasonal variation. (1923-1925 average —100.)




Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for August 14.

# Summary of National Business Conditions

## (Compiled August 24 by the Federal Reserve Board)

Factory employment and output were maintained in July at the June level, though usually there is a considerable decline at this season. Activity at mines showed a substantial decrease, reflecting a sharp reduction in output of coal.

**PRODUCTION AND EMPLOYMENT:** The Federal Reserve Board's seasonally adjusted index of manufactures showed an increase in July, while the index of mineral production showed a marked decline, with the consequence that the index of industrial production remained unchanged at 86 per cent of the 1923-25 average. For the first seven months of the year industrial output was 6 per cent larger than a year ago. Activity at steel mills, which had declined during June, advanced considerably during July and the first three weeks of August, and there was also a substantial increase in the output of lumber. Automobile production showed a decrease from the high level prevailing earlier in the year, reflecting in part seasonal developments. The output of textiles increased somewhat in July, owing chiefly to increased activity at silk mills. In the woolen industry the recent high rate of activity continued, while at cotton mills daily average output declined by about the usual seasonal amount. Meat packing remained at an unusually low level. At mines, the output of bituminous coal decreased sharply in July, following an advance in the preceding month, and there was also a sharp reduction in output of anthracite.

Factory employment, which usually declines at this season, showed little change from the middle of June to the middle of July. Employment increased somewhat in the machinery, lumber, furniture, and silk industries, and there was a large seasonal increase in the canning industry. Decreases of a seasonal character were reported for establishments producing cotton goods and women's clothing, while in the automobile industry employment declined by more than the usual seasonal amount. At coal mines employment showed a marked decrease in July.

The total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in July and the first half of August, reflecting an increase in non-residential projects. Residential building continued in considerably larger volume than a year ago, with increases from last year reported for most sections of the country. Department of Agriculture estimates, as of August 1, indicate a cotton crop of 11,800,000 bales, about 2,200,000 bales larger than the unusually small crop last year. The indicated wheat crop, while larger than a year ago, is considerably smaller than the five year average for 1928-32. Crops of corn and other feed stuffs are substantially larger than last season.

**DISTRIBUTION:** The daily average volume of freight carloadings declined in July, reflecting a marked decrease in shipments of coal. Department store sales showed a seasonal decline, and the Board's adjusted index remained unchanged at 80 per cent of the 1923-25 average.

**COMMODITY PRICES:** The general level of wholesale commodity prices showed little change during July and advanced slightly in the first three weeks of August. For the seven-week period as a whole there were substantial increases in the prices of hogs, lard, silk, and scrap steel, while cotton declined. Wheat, after advancing considerably during the latter part of July, declined somewhat in the early part of August.

**BANK CREDIT:** Excess reserves of member banks increased by $340,000,000 in the five-week period ended August 21, principally as a consequence of a reduction in the balances held by the Treasury with Federal Reserve Banks. There were also moderate imports of gold from abroad.

Total loans and investments of reporting member banks in leading cities showed a net decline of $290,000,000 during the four weeks ended August 14. Holdings of direct obligations of the United States government decreased by $220,000,000 following a substantial increase in the middle of July. Loans declined by $180,000,000 in the latter part of July but subsequently advanced by $40,000,000, while holdings of government guaranteed and other securities increased by $70,000,000 in the four-week period.

Yields on government securities rose slightly during this period, while other short-term open market money rates remained at low levels.