MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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The January business volume was lower than December but higher than any January since 1931. Deposits at city and country banks were larger than in January, 1936, but smaller than in December. City and country retail sales were 7 per cent larger and farmers' cash income was 6 per cent higher than in January last year. Prices of farm products were higher and livestock marketings larger than a year ago.

DISTRICT SUMMARY OF BUSINESS

The volume of business during January and early February in the Ninth Federal Reserve District continued well above the level of a year earlier, but was definitely below that of the preceding month. Higher farm product prices and a renewal of government rental and benefit payments, together with a substantial increase in livestock marketings, were the principal factors in the increase in business volume over January, 1936. Most of the seasonally adjusted trade indexes receded somewhat from the high levels reached at the end of 1936. The bank debits index for 94 cities remained unchanged at 86, the highest January since 1931. Although this index has reached 86 twice before since 1931, that point is the highest yet attained in the recovery movement. The debits index for farming centers declined one point from the November-December level, but nevertheless was the highest January since 1931. City department store sales declined by more than the seasonal amount and the index was lower than in any month since January last year. The miscellaneous carloadings index also dropped sharply from the 7 year high reached in December but was higher than in any January since 1930. The other indexes were well above the January, 1936, level.

Northwestern Business Indexes

(Varying base periods)

	Jan. 1937	Dec. 1936	Jan. 1936	Jan. 1935
Bank Debits—94 Cities	86	86	74	65
Bank Debits—Farming Centers	85	86	75	65
Country Check Clearings	143	150	129	108
Department Store Sales	79	94	73	69
Country Lumber Sales	91	92	78	72
Miscellaneous Carloadings	99	110	80	80
L. C. L. Carloadings	66	67	60	61

The rise in business volume during January, 1937, over the level for the same month in recent years was quite general throughout the district. All of the regional groups of cities reported the largest January bank debits since 1931 or 1930 and total January check clearings were the largest on record for that month. North and South Dakota check clearings, however, were slightly below the January, 1936, volume. Carloadings of miscellaneous freight were 18 per cent larger than in January last year and higher than in any January since 1932. L. C. L. carloadings were higher than in any January since 1930. Residential contracts were awarded in January in a volume more than twice as large as in January last year and were larger than the January volume in any year since 1929. Prices for nearly all classes of livestock were higher in January than in the same month last year and the volume of marketings of each species was well above the January, 1936, level. Distribution of a substantial volume of soil conservation payments late in December materially increased January business especially in the Dakotas and Montana.

Retail trade in the district was 7 per cent larger in January than in the same month last year, according to reports from twenty city department stores and three hundred and forty country department and general stores. Each of the groups reported a gain of 7 per cent. Northeastern Minnesota, northern Wisconsin and Michigan and west central Wisconsin were again among the sections of the district reporting the largest increases, but north central North Dakota and southeastern Minnesota both reported larger increases than any of those customarily top ranking sections with the exception of northeastern Minnesota. All of the other sections also reported increases except those in Montana, South Dakota, and the Red River Valley section of North Dakota. The three South Dakota sections and the Red River Valley section of North Dakota showed decreases and the two Montana sections were the same as in January, 1936.

Other increases over last year were reported for carloadings of coke, forest products and ore, copper output, building permits, total building contracts awarded, flax marketings, country lumber sales and wholesale sales of hardware and groceries. Decreases from the volume of January last year were reported for non-residential building contracts awarded, real estate activity in Hennepin and Ram-

sey Counties, flour production, flour and linseed product shipments, and butter production.

Retail Trade

	No. of Stores	% Jan., 1937 of Jan., 1936
Mpls., St. Paul, Duluth-Superior	20	107
Country stores	340	107
Minnesota—Central	26	110
Minnesota—Northeastern	14	121
Minnesota—Red River Valley	10	108
Minnesota—South Central	28	103
Minnesota—Southeastern	18	119
Minnesota—Southwestern	34	109
Montana—Mountain	8	100
Montana—Plains	17	100
North Dakota—North Central	13	121
North Dakota—Northwestern	9	110
North Dakota—Red River Valley	21	98
North Dakota—Southeastern	23	103
North Dakota—Southwestern	4	107
South Dakota—Southeastern	8	94
South Dakota—Other Eastern	31	94
South Dakota—Western	9	98
Northern Wisconsin and Michigan	32	117
West Central Wisconsin	34	115
Ninth District	360	107

DISTRICT SUMMARY OF BANKING

Deposits at city member banks dropped $24 million during the five weeks ending February 17, and on that date were $45 million lower than the all time high of $577 million recorded on December 2. Decreases in balances due to other banks in the United States accounted for half of the decline between January 13 and February 17, reflecting the decrease in customers' deposits at country banks discussed below. Commercial demand deposits accounted for $8 million of the decrease at city banks and all other demand deposits combined decreased $4 million. Time deposits at city banks were unchanged. In order to meet the heavy country bank demand for funds as well as the only slightly smaller demand from their own commercial depositors, city member banks drew heavily on their accounts at other banks for a total of $19 million in order to hold the reduction in their balances at this Federal Reserve Bank to a minimum. City member bank balances with us decreased only $3 million. In accordance with the supplement to Regulation D recently issued by the Board of Governors at Washington, reserve requirements on both net demand and time deposits will be increased 1/6 on March 1 and an additional 1/6 of the present requirements on May 1. City member bank balances at this bank on February 17 were only slightly larger than the minimum legal requirements as of March 1 on the sharply reduced deposit total, whereas it has become customary in recent years for member banks to carry balances with this Federal Reserve Bank somewhat in excess of the legal minimum.

The daily average of gross demand and time deposits at country member banks decreased $10 million between the last half of December and the last half of January, balances due from banks being reduced by the same amount. Country member bank reserve balances at this Federal Reserve Bank were unchanged. The greatest decrease in deposits occurred in Minnesota, gross demand deposits declining $7 million which was partially offset by a $2 million time deposit increase. Compared with the daily average for the last half of January, 1936, country member bank deposits were much higher this year, all states being well above the January, 1936, level except North Dakota which showed a slight decrease.

Changes in the method of computing "net demand deposits" and changes in the form on which deposits subject to reserve are reported to this bank, both of which were introduced late in 1935, made it possible to build the new series of country member bank figures discussed in the preceding paragraph. With the receipt of the January, 1937, data, comparable figures for the preceding year first became available. Comments on these country member bank figures will appear regularly hereafter in this District Summary of Banking.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Receipts from the sale of crops, livestock, livestock products, and rental and benefit payments during December, 1936, in Minnesota, Montana, North Dakota and South Dakota combined, as estimated by the Bureau of Agricultural Economics of the United States Department of Agriculture, totalled $58 million, which was nearly one-quarter larger than in December, 1935, and raised the year's total to nearly $624 million, 11 per cent larger than in 1935. Revised figures by states for the years 1933-1936 are shown in the accompanying table. When rental and benefit payments in 1936 and 1935 are excluded, receipts from the sale of farm products were 17 per cent larger in 1936 than in 1935.

United States Department of Agriculture Estimates of Receipts from Sale of Crops, Livestock, Livestock Products and from Rental and Benefit Payments

(000's omitted)

	1936	1935	1934	1933
Minnesota	$ 345,052	$ 277,627	$ 225,953	$ 185,246
Montana	80,595	100,545	79,626	50,309
North Dakota	94,297	93,093	99,157	76,342
South Dakota	103,972	92,910	78,718	71,960
4 States	623,916	564,175	483,454	383,857
U. S.	7,865,000	7,090,000	6,348,000	5,117,000

Our estimates of farmers' cash income from the sale of seven important agricultural products during January were 6 per cent larger than in January a

year ago chiefly because of a 38 per cent increase in income from the sale of hogs. Dairy products income during January was smaller than in the corresponding month one year earlier for the first time since December, 1935. Income from the sale of bread and durum wheats continued smaller than in the same month a year ago because of smaller marketings, but income from the sale of rye, flax and potatoes, as well as hogs, was larger than in the corresponding month last year.

Prices for all of the grains were higher in January this year than in January a year ago, feed grain and rye prices being about twice as high as last year. Milk, egg, and potato prices and prices for all classes of livestock except feeder steers and lambs were also higher. Butter and poultry prices were lower than in January last year.

The farm price index of the University of Minnesota rose from 94 in December to 106 in January, the highest in any month since October, 1929, and the highest January since 1927. The January, 1936, index figure was 85.

Livestock and Livestock Products

Receipts of cattle at South St. Paul declined seasonally during January despite the arrival of several hundred carloads of Canadian cattle, were about 10 per cent larger than in the same month a year ago and were larger than in any other January since 1927. Calf receipts in January were larger than in December, which is customary, and were 29 per cent larger than in January last year when receipts did not show the usual increase. The January median calf price was nearly 27 per cent higher than that of December and was the highest since October, 1930, with the exception of February last year. Beef cattle median prices showed mixed trends in January when compared with December, butcher cows and heifers and ordinary light butcher steers scoring moderate increases, prime light butcher steers remaining unchanged, and heavy butcher steers, both ordinary and prime, showing declines, chiefly on account of a large increase in marketings. Despite the decline in the median price for heavy butcher steers, the "top" for the month was the highest since May, 1935.

During the first half of February, butcher cattle receipts at South St. Paul were much larger than in the corresponding period last year, but receipts at the 7 principal mid-western markets were a little smaller. As a result, the strength of cattle prices at outside markets sustained South St. Paul prices with the exception of veal calves which declined sharply during the first two weeks of February from the unusually high January levels.

Shipments of stocker and feeder cattle declined seasonally during January because of the usual sluggish demand during that month and were smaller than in the corresponding month a year earlier. Heavy stocker and feeder steer prices remained at the December level, but prices for feeder steers under 800 pounds reflected the increase in light butcher steer prices and scored the same gain. Both light and heavy feeder steer prices, however, were lower than in January last year. During the first half of February, feeder cattle shipments were a little larger than in the same period last year because of the milder weather, and prices averaged a little higher than in January.

The dairy cow market at South St. Paul was steady to slightly stronger during January than in the preceding month, largely because of somewhat greater activity on the part of shippers. Throughout the month low-grade cows were weak, while good springers were strong. The price range for January was $75-$40.

Imports of Canadian cattle increased sharply in January when compared with December because of the automatic renewal at the beginning of the year of quotas on which tariffs are reduced. During the first six weeks of the year Canadian cattle imports were more than double the volume in the same period last year.

Hog receipts at South St. Paul during January were again much smaller than in the preceding month, but were much larger than in the same month of the preceding year. The same situation existed at the other 6 principal mid-western livestock markets which resulted in slightly higher prices in January than in December. Dressed pork prices declined rather steadily throughout the month but had little effect on the South St. Paul median price for hogs, which was higher in January, 1937, than in any January since 1927. During the first half of February, hog receipts remained at about the January level, which was higher than in the first half of February last year, and prices climbed slightly higher.

Receipts of sheep and lambs at South St. Paul during January were larger than in any other January on record, but the increased supplies were readily absorbed owing to a strong demand from both packers and feeders. Prices rose sharply, registering the largest single month's rise in the last two years, and with the exception of January, 1936, were higher than in any January since 1930. An added factor in the strength of sheep and lamb prices has been the uninterrupted rise in wool prices during the last few months. Our weighted farm price for wool increased between November 15 and December 15 from 27c to 30½c per pound, the highest price since June, 1929. Current reports from bankers in Montana indicate that present prices in that state are far above the December level, some clips being contracted for at 38c per pound.

During the first two weeks in February, receipts declined substantially from the record level of January, but continued to be materially larger than

in the corresponding period last year and prices continued to rise because of the decreased receipts and a continuation of the two-way demand.

Cold storage holdings of most of the major food products declined seasonally during January except pork and lard which showed the usual January increase. Stocks of butter decreased by the average amount during January but on February 1 were more than one-third larger than the average for that date. Because of larger sheep and lamb marketings and increasing prices, relatively large quantities of lamb and mutton moved into storage during the month, resulting in a net increase in holdings of these products instead of the usual January decrease. Favorable egg production during January permitted smaller than average withdrawals of eggs with the result that egg holdings on February 1 were 89 per cent of the average for that date, the highest per cent of average since last October. February 1 holdings of all other products were far above the February 1 five-year average. Holdings of all kinds of meat in storage totalled 1,062 million pounds, 37 per cent more than the average of 774 million pounds.

United States Cold Storage Holdings

(In thousands of pounds)

	Feb. 1 1937	Feb. 1 1936	Feb. 1 5-yr. Av.
Beef	180,955	104,447	79,065
Pork	739,166	436,042	616,732
Lamb and Mutton	10,486	2,824	2,960
Miscellaneous Meats	131,709	79,034	75,334
Total Meats	1,062,316	622,347	774,091
Lard	182,319	75,669	97,639
Cream*	108	64	85
Butter	42,877	21,592	31,349
Cheese	101,206	90,890	76,980
Eggs**	1,597	1,865	1,804
Poultry	178,072	103,833	112,537

*Thousand cans. **Thousand cases.

Livestock Inventories on January 1

Holdings of all classes of livestock on farms in the four complete states in the Ninth Federal Reserve District except 1 to 2 year old dairy heifers, decreased during 1936 and holdings of all classes of livestock were smaller than the average for the five preceding years. Changes during 1936 in the number of livestock on farms in states in this district showed the same trends as in the entire United States with the exception of stock sheep and lambs. Because of the large volume of drouth-forced marketings from South Dakota and Montana flocks, January 1, 1937, sheep and lamb holdings in this district were about 6 per cent smaller than a year earlier whereas total United States holdings were nearly 2 per cent larger. When the numbers of all classes of livestock are converted to animal units, which allow for differences in size and feed requirements of the several species, the total number of units on January 1 this year was the smallest since 1929.

Livestock on Farms January 1

(thousand head)

Dairy Cows and Heifers
(2 years and over)

	1937	1936	5 Yr. Avg.
Minnesota	1,671	1,705	1,775
Montana	172	187	204
North Dakota	549	584	634
South Dakota	529	557	614
4 States	2,921	3,033	3,227
United States	25,041	25,439	25,854

Dairy Heifers
(1-2 years)

Minnesota	338	304	348
Montana	33	39	43
North Dakota	97	95	121
South Dakota	110	122	135
4 States	578	560	647
United States	4,996	4,792	5,086

Other Cattle
(mostly beef)

Minnesota	1,202	1,170	1,189
Montana	857	1,136	1,218
North Dakota	550	650	789
South Dakota	967	1,067	1,164
4 States	3,576	4,023	4,360
United States	36,639	37,737	38,328

Swine
(including pigs)

Minnesota	2,152	2,242	2,969
Montana	102	103	182
North Dakota	259	345	488
South Dakota	585	900	1,345
4 States	3,098	3,590	4,984
United States	42,774	42,837	52,378

Stock Sheep and Lambs

Minnesota	995	921	926
Montana	3,030	3,405	3,745
North Dakota	799	783	847
South Dakota	1,201	1,334	1,275
4 States	6,025	6,443	6,793
United States	47,150	46,391	47,311

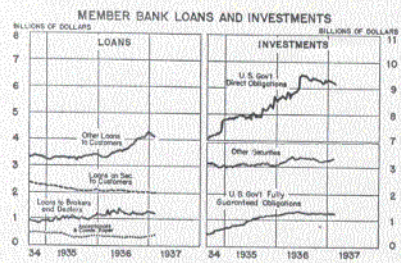
Horses and Colts

Minnesota	724	724	751
Montana	297	316	366
North Dakota	435	463	515
South Dakota	405	418	498
4 States	1,861	1,921	2,130
United States	11,527	11,635	12,101

Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to January, 1937.

Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to January, 1937.

Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ending February 20, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to February 17, 1937. Loans on real estate and loans to banks excluded.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEBRUARY 26, 1937

Industrial activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

PRODUCTION AND EMPLOYMENT: Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 per cent of the 1923-1925 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the western lumber regions. Production of plate glass declined further in January but toward the end of the month the strikes which had restricted output since October were settled. At textile mills, activity declined from the exceptionally high level reached in December, and in the meat packing industry there was also a decrease, while output at shoe factories increased. Mineral production was smaller in January than in December, reflecting a reduction in output of coal. There was a further rise in output of crude petroleum.

The value of construction contracts awarded showed a considerable rise in January, according to figures of the F. W. Dodge Corporation, and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly-financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing non-durable goods, employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries and seasonal reductions in working forces in most other lines.

DISTRIBUTION: Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail order houses declined considerably more than is usual. Car loadings of revenue freight also declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal, and miscellaneous freight.

COMMODITY PRICES: The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than 5 per cent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance. There were substantial increases in non-ferrous metals, lumber, and petroleum and smaller increases in a wide variety of finished products, while prices of glass and certain cotton textiles declined, following rapid increases in other recent months.

BANK CREDIT: Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ending February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33⅓ per cent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five weeks ending February 24. There was a further increase at New York City Banks and a decline at banks elsewhere.

The rate on bankers' acceptances was raised 1/16 of 1 per cent on February 1, following a similar increase on January 16. Market yields on short and medium term Treasury obligations also increased slightly in January and the early part of February, while yields on long-term Government bonds showed little change.