MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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The March volume of business was the second largest in the recovery period. Bank deposits were much higher than a year ago. Country retail sales were much larger and city department store sales somewhat larger than in March, 1936. Potato income showed a record increase but farmers' cash income was smaller than a year ago. Farm product prices were mostly much higher than in March last year.

DISTRICT SUMMARY OF BUSINESS

During March, the volume of business in the Ninth Federal Reserve District rose sharply from the February level and was nearly as high as in last December, the highest point in the recovery movement. On the average, country business volume indicators showed larger increases than those in the cities. The index of country lumber sales was the only rural business index that was not as high or nearly as high as in any month since 1930. Unfavorable weather during March and sharply higher lumber prices apparently resulted in a somewhat smaller volume of lumber sales than would normally be expected. The adjusted bank debits index for 94 cities again reached 86 in March and incomplete reports for the first half of April indicate that the April index will undoubtedly be the highest for that month since 1930. The city department store sales index, adjusted, rose four points to 90, the highest March since 1931, but the miscellaneous and l.c.l. carloadings indexes declined slightly from the high points established last month.

Northwestern Business Indexes
(Varying base periods)

	Mar. 1937	Feb. 1937	Mar. 1936	Mar. 1935
Bank debits—94 cities	86	81	76	67
Bank debits—farming centers	90	81	69	67
Country check clearings	154	143	134	120
Department store sales	90	86	84	79
Country lumber sales	76	74	67	55
Miscellaneous carloadings	96	99	83	76
L.C.L. carloadings	65	68	61	60

The March volume of business was materially higher than in March last year. Bank debits for the District were up 14 per cent. The anticipated large increase in the movement of iron ore and other shipping was responsible for a 31 per cent increase in bank debits at Great Lakes Ports and continued high prices for dairy and other farm products resulted in a 34 per cent increase in the dairy and mixed farming region of the District. Smaller increases were reported by all other sections of the District. Country check clearings in March were as large or larger than in the same month last year in each of the reporting sections. The portions of Michigan and Wisconsin in this District reported an increase of 26 per cent closely followed by Minnesota with 22 per cent. Freight carloadings were 14 per cent larger in March than in the same month last year despite important decreases in the marketings of grains and livestock. The largest percentage increases occurred in the industrial commodities, ore, coke, coal and lumber products.

Other indicators of business volume in the District that showed increases over March of last year were building permits, residential and educational building contracts awarded, warranty deeds and mortgages recorded in Hennepin and Ramsey Counties, life insurance sales, copper and silver output, receipts of cattle, calves and hogs at South St. Paul, sales of lumber and other materials at country lumber yards, and wholesale sales of groceries, hardware and shoes. Decreases occurred for flour production and shipments, linseed product shipments, output of gold, butter production, grain marketings and receipts of sheep.

Retail Trade

	No. of Stores	% Mar. 1937 of Mar. 1936	% 1937 of 1936
Mpls. St. Paul, Duluth-Superior	21	114	111
Country stores	466	129	120
Minnesota—Central	32	133	119
Minnesota—Northeastern	16	128	120
Minnesota—Red River Valley	11	132	118
Minnesota—South Central	33	132	123
Minnesota—Southeastern	21	129	123
Minnesota—Southwestern	42	133	125
Montana—Mountain	13	121	111
Montana—Plains	38	113	110
North Dakota—North Central	17	151	132
North Dakota—Northwestern	18	204	161
North Dakota—Red River Valley	26	146	121
North Dakota—Southeastern	29	135	115
North Dakota—Southwestern	5	122	126
South Dakota—Southeastern	17	130	128
South Dakota—Other Eastern	57	114	117
South Dakota—Western	12	95	101
Northern Wisconsin and Michigan	38	133	122
West Central Wisconsin	41	132	121

Retail trade in March was far above the March 1936 level especially in the country sections of the District. Sales at 466 country department and general stores were 29 per cent larger than a year ago and on a seasonally adjusted basis were larger than in any month since 1930. All sections showed increases with the exception of that part of South Dakota west of the Missouri River. The largest in-

creases were reported by the various sections in North Dakota, all of which were well above the District average with the exception of a relatively small group in the southwestern quarter of the state which was a little below the average. City department store sales were 14 per cent larger than in March last year and the largest for March since 1931.

Mining activity in March was in larger volume than in any March since 1928 principally because of industry's pressing need for steel. In each of the three months of the first quarter of 1937, carloadings of ore have been larger than in the corresponding months of any year since 1929. The output of copper and silver continued to be much larger than a year earlier but there was a 13 per cent decline in the output of gold. Copper mining employment increased during March and at the end of the month, the total number employed was 32 per cent larger than a year ago.

Lake shipments of iron ore from the head-of-the-lakes ports were started by the middle of April and while sailings were later interrupted by ice jams in the harbors, it is expected that the April movement will be the largest on record for that month.

DISTRICT SUMMARY OF BANKING

City Member Banks. Deposits at city banks increased $8 million during the four weeks ending April 14. Demand deposits increased $5 million and balances due to other banks increased $7 million but were partially offset by a decrease of $3 million in public demand deposits and a $1 million decrease in time deposits. Loans to customers increased another $3 million during these four weeks but holdings of commercial paper and acceptances declined by nearly the same amount; holdings of government securities decreased $15 million, half of which was reinvested in other bonds and securities resulting in a net decrease in earning assets of $7 million. Most of the excess funds obtained from the sale of government securities were left on deposit with other banks, only a small amount being transferred to reserve accounts at this bank.

Country Banks. Daily average deposits at country banks showed practically no change between the last half of February and the last half of March. Gross demand and net demand deposits were unchanged and time deposits decreased by less than $1 million. Balances due from other commercial banks and reserve balances with us were also unchanged. Compared with the daily average for the last half of March 1936, gross demand deposits were $30 million higher this year and time deposits $14 million higher. All states and part states in the District shared in the total deposit increase with the exception of North Dakota. Banks in cities with less than 15,000 population in that state showed a reduction of 3 per cent, part of which was occasioned by the recent reduction in the number of member banks. Reserve balances at this bank averaged only $8 million higher this year and balances due from other banks averaged $4 million lower, indicating that earning assets of country member banks were about $40 million larger during the latter part of March than they were one year earlier.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Receipts from the sale of crops, livestock, livestock products and government payments in the four complete states in this District were larger during February 1937 than in any February since 1931. The estimate prepared by the USDA at Washington totalled $41 million, a seasonal decline from January but 28 per cent larger than in February 1936. Soil conservation payments during February were responsible for the larger farm income, the total for our four states being nearly $10 million, the largest February volume of government payments on record. Receipts from the sale of agricultural products were nearly $1 million smaller than in February last year, due chiefly to a slight decrease in the returns from livestock and livestock products.

For March our estimates of farmers' cash income from the sale of seven products were 10 per cent smaller than in March last year. These estimates do not include government payments. The decrease resulted chiefly from reduced marketings which were not offset by higher prices except in the case of potatoes. Potato marketings were far below the March 1936 volume but the much higher price resulted in a March potato income that was 16 per cent larger than a year ago, and was the largest single month's potato income since October 1929. Smaller marketings of bread and durum wheats, rye, flax, dairy products and hogs resulted in lower income estimates for each of these commodities than was estimated in March last year.

Prices of most of the important farm products were much higher in March than in the same month last year. Potato prices were higher than at any time since the spring of 1926. March prices for dairy products and wool were higher than in any March since 1930 and 1929 respectively. Prices of lightweight stocker and feeder steers were the same as in March last year and hogs and hens were lower.

The farm product price index of the University of Minnesota declined three points to 104 in March which was the highest March since 1929. The March 1936 index figure was 82.

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul increased substantially during March. Total cattle receipts for the first quarter of 1937 were 9 per cent larger and calf receipts 42 per cent larger than in the same period in 1936. The median price for veal calves continued to decline but was higher than a year ago. Butcher cattle prices were much higher than a month earlier and were well above the March 1936 level. During the first half of April, receipts of butcher cattle decreased and were less than in the same period a year ago. Long-fed heavy-

weight cattle continued scarce, resulting in higher quotations, but there were only a limited number of sales.

Shipments of stocker and feeder cattle were much larger than in February but were less than in the same month a year ago. Shipments in the first quarter of 1937 were 4 per cent smaller than in the first quarter of 1936. Prices for both light and heavy stocker and feeder steers increased during the month. Heavyweight steers were higher than a year ago throughout the month and established a top price of $9.90, the highest since June 1935. Increased feed grain costs resulted in lessened demand for feeders during the first half of April and prices declined.

The dairy cow market at South St. Paul was more active in March than in February as a result of a steady two-way demand, the better grades going to eastern shippers and the common grades to local buyers. Supplies were generally light. The price range for March was $85-$40. During the first half of April, prices and demand continued strong. Prices of producing cows at private auction sales on farms in the central and southern Minnesota dairy sections have been much higher this spring than for many years.

Imports of Canadian cattle and calves in March and early April decreased considerably from the high levels of January and February. By mid-April, total cattle imports were only a little larger than in the same period in 1936 and about one-third of the annual quota had been filled. Dairy cow imports continued at a much slower rate than beef cattle imports, but there has been practically no reduction in the rate of calf imports. At mid-April the 1937 annual calf quota was 42 per cent filled.

Hog receipts at South St. Paul in March were considerably larger than in February and 11 per cent larger than in March last year. Receipts during the first quarter of 1937 were 21 per cent larger than for the same period last year. Receipts during the October-March hog marketing season were 1,266 thousand head compared with 703 thousand in the same six months one year earlier. In spite of the continued large receipts, the median hog price was $9.90 in March compared to $9.80 in February and $10 in March 1936. The March volume of marketings was maintained during the first half of April, but while demand was fairly broad, prices were weaker.

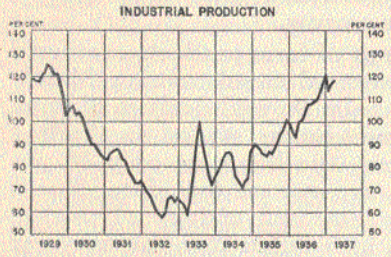
Receipts of sheep and lambs at South St. Paul in March were little more than half the February volume and were 17 per cent smaller than March 1936. A strong killer demand advanced both lamb and ewe prices sharply, the top for fat lambs reaching $12.90, the highest price paid since January 1930. The top in February was $10.75 and $10.15 in March last year. One shipment of "Easter lambs" sold at $14. The March top for ewes was $7.50 compared to $6.00 in February and $5.75 in March 1936. Receipts continued small during the first half of April but prices weakened somewhat and demand for feeders was narrow.

Cold storage holdings of farm products continued to show the usual seasonal trends during March. Stocks of butter and cream showed declines of more than the usual amount. Butter stocks on April 1 were larger than a year ago but were only 76 per cent of the five-year average on that date. Stocks of eggs reflected the increased activity of storage operators and were a little larger than the five-year April 1 average. Storage stocks of poultry declined by more than the seasonal amount during March but were still greatly in excess of the average on April 1. Despite a somewhat greater slaughter, holdings of beef declined by more than the seasonal amount during March, resulting in the first important reduction in the above average stocks of beef since last July. April 1 holdings, however, were more than twice the five-year average. The March decrease in lamb and mutton holdings was larger than the average for that month partly because of decreased slaughterings but on April 1 were more than three times as large as the five-year average. Pork holdings declined by less than the average but holdings of lard increased by more than the seasonal amount for the fifth successive month.

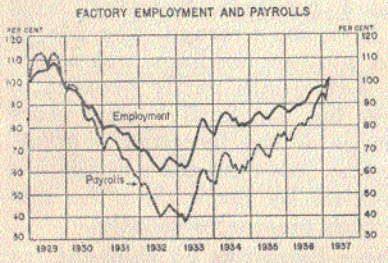
Commercial and farm hatchings of chickens for the entire 1937 season will probably be from 7 to 10 per cent smaller than the 1936 hatch. No estimates of changes in farm hatchings are available, but commercial hatcheries reported a reduction of 12.5 per cent in the number of chicks in the first two months of the year. The high cost of feed is largely responsible for the prospective reduction in the 1937 hatch and also for the continued heavy culling of flocks that greatly increased the receipts of dressed poultry at the four principal markets during March.

Crops

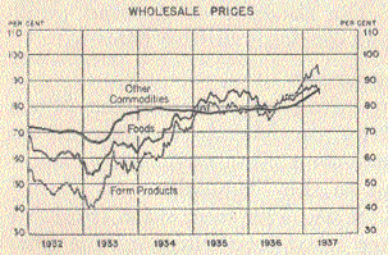
Farmers in the four complete states in the Ninth Federal Reserve District on March 1 intended to plant for harvest less than the customary number of acres according to the "Intentions to Plant" report issued by the USDA. The four state total for the eight crops that are most important in this District (wheat, rye, flax, barley, corn, oats, potatoes, and tame hay) was slightly in excess of 52¼ million acres compared with an eight-year average of about 59 million acres and an all time high of 61 million acres in 1931. Widespread snows and rains in late March and early April provided some much needed surface moisture but further delayed seeding operations, especially in the heavy soil sections. Contrary to the general expectation, no important seed shortages have developed this spring. Supplies of seed acquired by the Federal Surplus Commodities Corporation for use in this District were far above total requirements thus far, indicating that farmers' supplies of seed grains were somewhat larger than estimated last winter. Despite renewal in demand following the mid-April rains, the Federal Surplus Commodities Corporation reported on April 20 that large quantities of all kinds of grain were available.



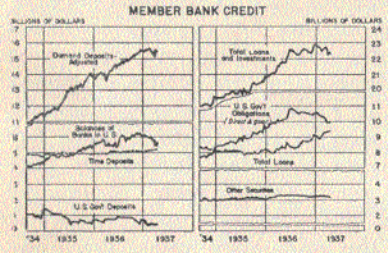
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to March 1937.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to March 1937. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ending April 17, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to April 14, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 24, 1937

In March industrial activity continued to increase and payrolls at factories and mines showed a substantial rise. Prices of basic commodities after advancing rapidly in March declined in the first half of April.

PRODUCTION AND EMPLOYMENT: Industrial production increased from February to March and the Board's seasonally adjusted index advanced from 116 per cent of the 1923-1925 average to 118 per cent. The rise reflected a sharp increase in output of minerals, chiefly coal, and an increase of somewhat more than the usual seasonal amount in manufacturing. The larger output of coal in March was due in part to stocking by consumers in anticipation of a possible strike at bituminous coal mines on April 1 when the agreement between mine operators and the miners' union expired. A new agreement was reached on April 2 but, owing partly to the previous accumulation of stocks, production in the first ten days of April showed a sharp decline. During March activity at steel mills increased seasonally and in the first three weeks of April was over 90 per cent of capacity. In the automobile industry output showed about the usual seasonal increase in March and the first three weeks of April, considerable fluctuations during this period being largely in response to developments in the labor situation. Lumber production expanded considerably in March, and there was a sharp rise in output of non-ferrous metals. Cotton consumption, which has been at an unusually high level in recent months, increased further in March and in actual amount was larger than in any previous month. Production at woolen mills and shoe factories continued in large volume.

Value of construction contracts awarded in March, as reported by the F. W. Dodge Corporation, was at about the same level as in February and substantially higher than a year ago. Privately-financed work increased, while the amount of publicly-financed work continued to decline. The increase in privately-financed projects reflected a larger volume of residential building and of factory and commercial construction.

Employment and payrolls increased by considerably more than the usual seasonal amount between the middle of February and the middle of March. The expansion in payrolls was larger than in employment, reflecting in part a further rise in wage rates. In manufacturing, the principal increases in employment were in industries producing durable goods, particularly steel, machinery, and lumber. The number employed in the production of non-durable manufactures showed slightly more than the usual seasonal rise.

DISTRIBUTION: Distribution of commodities to consumers showed about the usual seasonal increase from February to March. Mail-order sales expanded considerably but the rise in department store sales was less than seasonal, considering the early date of Easter this year.

COMMODITY PRICES: Prices of non-ferrous metals, steel scrap, rubber, cotton, and wheat, which had advanced rapidly in March, declined considerably in the first half of April. Since the middle of March, prices of coke, tin plate, and rayon have advanced and there have been smaller increases in a wide variety of other industrial products. Dairy products have declined, reflecting in part seasonal developments.

BANK CREDIT: In the four-week period from March 24 to April 21 excess reserves of member banks increased from $1,270,000,000 to $1,590,000,000, reflecting principally disbursements by the Treasury from balances with Federal Reserve banks and purchases of United States Government obligations by the Federal Reserve System. The bulk of the increase in excess reserves was at banks in New York City and Chicago.

Total loans and investments of reporting member banks, which had declined sharply in March, reflecting sales of United States Government obligations, showed little change in the two weeks ending April 14. Loans to brokers and dealers in securities declined from the middle of March to the middle of April, while other loans, which include loans for commercial, industrial, and agricultural purposes, showed a substantial increase. These loans have increased almost continuously over the past year.

Demand deposits, after declining in March, increased somewhat in the first half of April, and there was an increase in foreign bank balances, reflecting an inward movement of short-term funds from abroad.

MONEY RATES: The rate on prime commercial paper advanced from ¾ per cent to 1 per cent in the latter part of March. Bond yields, which had advanced sharply in March, showed no pronounced change in the first three weeks of April.