MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 269) Federal Reserve Bank, Minneapolis, Minn. May 28, 1937

April business volume was lower than in March but the highest April since 1931. City and country bank deposits were lower than March but higher than in April 1936. Rural trade and farmers' income were larger than a year ago. Farm product prices were higher than a year ago. May 1 crop prospects were better than for many years.

DISTRICT SUMMARY OF BUSINESS

The combination of an unusually large number of favorable factors resulted in an April business volume that was larger than any April since 1931. Each of our trade indexes was higher than in any April since 1930 or 1931 and our country check clearings index was the highest April on record. The adjusted bank debits index for 94 cities remained at 86, the highest point in the recovery movement.

Northwestern Business Indexes

(Varying base periods)

	Apr. 1937	Mar. 1937	Apr. 1936	Apr. 1935
Bank debits—94 cities	86	86	80	71
Bank debits—farming centers	86	90	79	70
Country check clearings	148	154	141	125
Department store sales	84	90	82	72
Country lumber sales	85E	76	76	65
Miscellaneous carloadings	91	96	80	75
L.C.L. carloadings	66	65	62	60

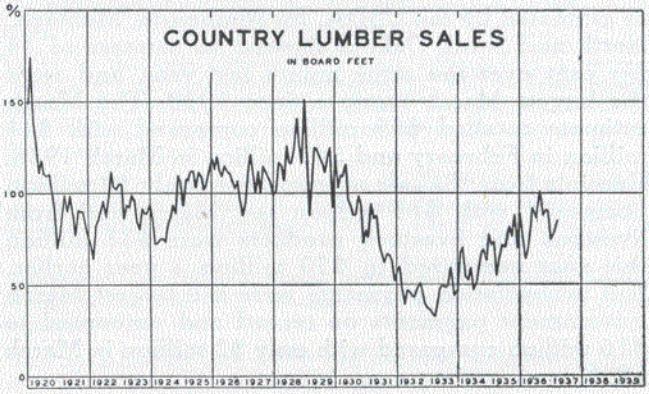
E—Estimated

The April volume of business was uniformly higher than in April last year. While the increases were not quite as large as in other recent months, this was more than offset by the almost total lack of decreases. Bank debits for the district were up 7 per cent as the result of moderate increases in the Twin Cities, Great Lake Ports and the southeastern beef and pork, dairy, wheat, mixed farming, livestock range, and mining and lumber sections. Decreases were reported by South St. Paul and the southwestern beef and pork sections which were adversely affected by the sharp decrease in beef cattle marketings, and the slightly lower prices and lighter weights of hogs.

Bank Debits Index for Reporting Cities in the Ninth Federal Reserve District, adjusted for Seasonal Variation.

Freight carloadings were nearly half again as large as in April last year as a result of the largest April ore loadings on record. The number and value of building permits and total construction contracts awarded were all above the April 1936 level and the number of warranty deeds recorded in Hennepin and Ramsey Counties was 32 per cent larger than in April last year.

Retail trade in April was again above the level of the same month in the preceding year in the country sections of the district, but was slightly below at city department stores. However, sales during the first four months of 1937 at both country and city stores were larger than in the same period last year by 14 and 7 per cent respectively. Most of the sections showed increases, the largest being reported by West Central Wisconsin. The greatest declines were reported by the Southeastern and West River sections of South Dakota. City department store sales when adjusted for the larger than normal volume of sales in the week preceding Easter which was on April 12 last year were slightly higher than a year ago and were higher than in any other April since 1931.



Country Lumber Sales in the Ninth Federal Reserve District. The figures are reported in board feet and have been adjusted to remove seasonal fluctuations.

Retail Trade

	No. of Stores	% Apr. 1937 of Apr. 1936	% 1937 of 1936
Mpls., St. Paul, Duluth-Superior	21	98	107
Country Stores	461	106	114
Minnesota—Central	32	113	117
Minnesota—Northeastern	16	111	118
Minnesota—Red River Valley	12	106	113
Minnesota—South Central	33	110	118
Minnesota—Southeastern	21	112	120
Minnesota—Southwestern	40	101	117
Montana—Mountain	14	111	111
Montana—Plains	39	101	108
North Dakota—North Central	15	102	118
North Dakota—Northwestern	14	110	140
North Dakota—Red River Valley	26	94	111
North Dakota—Southeastern	29	97	107
North Dakota—Southwestern	6	97	116
South Dakota—Southeastern	17	90	105
South Dakota—Other Eastern	58	100	110
South Dakota—Western	11	93	96
Northern Wisconsin and Michigan	39	117	119
West Central Wisconsin	39	118	119

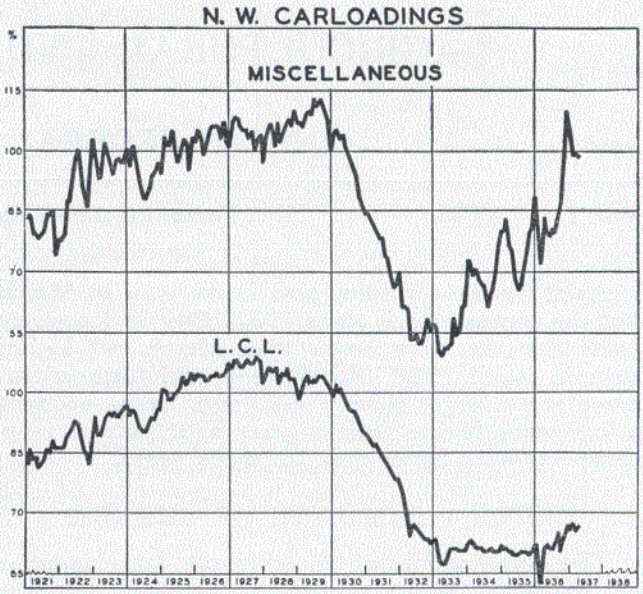
Mining activity in April was the highest on record. April carloadings of ore in the Ninth Federal Reserve District totalled nearly 100 thousand cars compared with the 1929 all-time high of 72 thousand cars. Reflecting the continued urgent demand for steel, iron ore shipments from the upper lake ports in April totalled 3,770,555 tons which exceeded by nearly 50 per cent the 1929 record of 2,516,241 tons.

The output of copper and silver continued to increase during April, was about one-third larger than in the same month last year and larger than in any other April since 1929. Copper mining employment increased slightly over March and the total number employed was 25 per cent larger than a year ago. Gold production declined in April to the smallest April volume since 1932.

The farm price index of the University of Minnesota dropped from 104 in March to 101 in April. This, however, is the highest April since 1930 when the index also stood at 101. The index was 84 in April, 1936.

Receipts from the sale of crops, livestock and livestock products and government payments in March, as estimated by the USDA, for Minnesota, Montana, North and South Dakota showed an increase of 24 per cent over the same month last year, and were the largest March receipts since 1930. The March estimate totalled $55 million compared with $41 million in February and $45 million in March 1936. Receipts from the sale of crops were only $8 million compared with $13 million last March and from livestock and livestock products were $31 million this year compared to $30 million a year earlier. Soil conservation payments were the largest March government payments on record and amounted to $16 million compared with only $2 million in March 1936.

Country check clearings were larger than a year ago in each of the reporting sections with the exception of North and South Dakota which showed a small decrease. Other indicators of business volume that showed increases over April of last year were copper and silver output, life insurance sales, mortgages reported in Hennepin and Ramsey Counties, calf and hog receipts at South St. Paul, sales of lumber and other materials at country lumber yards and wholesale sales of groceries, hardware, and shoes. There were continued decreases for flour production and flour and linseed shipments, butter production and receipts of sheep. Receipts of cattle at South St. Paul were also sharply lower than in April last year and public works and public utility building contracts 14 per cent lower than a year ago.



Carloadings of Miscellaneous Commodities and Less-than-Carlot Freight in the Northwestern District, adjusted to remove Seasonal Variation.

DISTRICT SUMMARY OF BANKING

City Member Banks. Demand deposits at city member banks decreased sharply during the last half of April as is customary prior to the May 1 tax date, but increased rather rapidly during the first two weeks of May and on May 12 were only $15 million lower than four weeks earlier. Commercial deposits were $5 million lower and balances due to other banks down $10 million. On May 5 total city bank deposits were only $506 million, the lowest point since the latter part of May a year ago. During the four weeks ending May 12, holdings of government and other securities were reduced $14 million and loans to customers decreased $1 million to meet the deposit withdrawal demand. In order to meet the May 1 increase in reserve requirements, $14 million was transferred to this Federal Reserve Bank from balances with other banks.

Country Banks. Demand deposits at country banks declined $5 million between the last half of March and the last half of April. Practically all of the decline was at Minnesota banks and was largely the result of shifting of deposits caused by May 1

money and credits tax assessments. Time deposits, balances due from other commercial banks and reserve balances with us were all unchanged. Compared with the last half of April 1936, demand deposits were $24 million higher and time deposits $13 million higher. All states and part states shared in the total deposit increase except North Dakota. Reserve balances with us were $16 million higher and balances due from other banks were $2 million less than a year ago. Earning assets of country member banks were about $23 million larger during the latter part of April than they were one year earlier.

Deposits in both large and small communities in most states were higher than a year ago. While banks in North Dakota cities with over 15 thousand population reported some increase in deposits, it was offset by decreases at cities with less than 15 thousand population. Part of the latter decrease was the result of a reduction in the number of member banks.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Our estimates of farmers' cash income during April from seven products were 7 per cent larger than the estimates for April 1936. These estimates do not include government payments. In spite of smaller marketings, the income from bread wheat, rye, flax, dairy products and potatoes was larger than a year earlier on account of higher prices. Income from hogs was about 7 per cent less than April 1936, resulting both from a smaller volume and a slightly lower price, and durum wheat income was considerably below a year ago as a result of greatly decreased marketings.

Prices of most of the important farm products were much higher in April than in the same month last year. Wool was higher than in any April since 1929. Potatoes were higher than in any month since May 1926. All grains were considerably higher than a year ago, and all livestock with the exception of light stocker and feeder steers, hogs and ewes were above April 1936. Hen prices were lower than a year ago.

Livestock and Livestock Products

Receipts of cattle and calves dropped off considerably during April. Cattle receipts were one-third smaller than in April 1936, but calf receipts continued to be larger than in April last year, largely because of heavy Canadian imports. Demand for all classes remained good, as supplies dropped off, and prices for most grades were about the same as one month earlier, except heavy butcher steers which made further advances due to the scarcity of supplies. Finished cattle of all types were scarce, due to shortage of feed supplies and the resulting high feed costs. In spite of the large receipts of calves, prices remained unchanged and were higher than in April last year.

Imports of Canadian beef cattle during the period January 1 to May 13 totalled 68 thousand head compared to 80 thousand for the same period last year. During the first 4½ months about 45 per cent of the annual quota has been filled. About 4 thousand head of dairy cows have been imported which is only 20 per cent of the quota. Calf imports have been exceedingly heavy, being about three times the volume of last year and total nearly 65 per cent of the annual calf quota.

Shipments of stocker and feeder cattle were somewhat smaller in April than in March and were little more than half of the April 1936 volume. Shipments in the first four months of 1937 were 76 per cent of the volume in the same period last year despite the high cost of feed and the slaughter demand for partly finished stock this year. Prices held steady during April. Heavy stockers and feeders were well above last year's level but light stocker and feeder steers were a little below the April 1936 level. Favorable weather during the first half of May resulted in an increased demand for stocker and feeder cattle that were suitable for grazing purposes, but shipments remained somewhat below last year's volume. Prices, however, were firmer, one lot bringing $9.40, the highest price since mid-March when a two-year high of $9.90 was established.

The dairy cow market at South St. Paul remained active in April. Supplies were light to moderate, with a scarcity of better grade cows. Strength in the slaughter cow market improved the demand for the lower grade dairy cows. The price range for April was $95-$40 with the bulk of the sales falling in $70-$50 range. One hundred dollars was considered obtainable for outstanding purebreds but none were offered. During the first half of May, prices and demand remained generally steady with an increase in shipper demand for high quality animals. Prices of dairy type cows at private auctions and sales pavilions in central Minnesota and eastern South Dakota continued to be higher than for many years.

Hog receipts at South St. Paul in April were slightly smaller than in the preceding month but were 6 per cent larger than in April 1936. Hog receipts for the first four months of 1937 were 11 per cent larger than for the same period last year. Demand remained fairly broad through the entire month. In early April prices weakened but with a decrease in supplies the market steadied and prices firmed in the latter half of the month. Because of the extreme shortage of feed, pigs have been weaned as early as possible this spring and heavy shipments from the southern portions of the district resulted in a somewhat larger than seasonal increase of sows during April. The top price for hogs in April was $10.05 compared with the top of $10.60 in April 1936. During the first two weeks of May, trade was active and prices strong. Receipts continued light and the market anticipated restricted supplies because of the far below normal fall pig crop and the necessity for increasing hog holdings in order

to consume the prospective 1937 feed crops. A top price of $10.45 was reached, the highest price paid since last September.

Receipts of sheep and lambs at South St. Paul in April were only one-third the March volume but were 17 per cent larger than April 1936. In the first four months of 1937, sheep receipts were nearly twice as large as in the same period last year. Trade was more or less uneven during the month and both lamb and ewe prices declined. Top price for slaughter lambs was $12.25 compared with $12.90 in March and $12.25 in April 1936. In the latter half of April feeder lamb prices declined from the peak established early in the month, resulting in the widest spread between feeder and fat lamb prices since last summer. During the first half of May slaughter lamb trade was rather uneven largely because of heavy receipts at other markets and decreases in dressed lamb prices, but at mid-month prices were above the April level. Fat ewe and feeder lamb prices declined further during the first half of May.

Cold storage holdings of most major food products declined seasonally during April except eggs which showed the usual April increase. Cream and butter holdings declined by a little less than the seasonal amount and were about 25 per cent below the five-year average. Cheese holdings declined less than seasonally and remained considerably higher than usual on May 1. Favorable egg production increased egg holdings and on May 1 they were 20 per cent above the average. Poultry holdings continued to be very high and in spite of the large decrease in April were nearly twice as large as a year ago and were 81 per cent above normal. Stocks of beef, lamb and mutton, and miscellaneous meats remained large in spite of greater than seasonal declines. Larger hog slaughterings together with a delay in the customary heavier consumer demand for dressed pork resulted in a contrary to seasonal increase in pork holdings despite the lower average weights. Total meat holdings on May 1 were two-thirds larger than on the same date last year and one-third larger than the five-year average. Largely because of the lower lard yield from the lighter weight hogs being marketed this spring, lard holdings decreased instead of showing the usual small increase during April, but on May 1 holdings were still nearly twice as large as the five-year average.

Commercial and farm hatchings of chickens during April continued to reflect the unfavorable relation of prices of poultry products to feed prices. April commercial hatchings were only 91 per cent of last year's figure. Eggs set in April were only 80 per cent of those set in April 1936, indicating that May hatchings might show an even greater decline. The number of young chickens on farms May 1 was 7 per cent below the number one year earlier and 9 per cent below the average for that date. One of the largest declines in the entire country was reported by South Dakota where severe shortages of feed had reduced all livestock holdings to a minimum. In South Dakota, young chickens on farms were only about 70 per cent of the number held on May 1, 1936.

In the North Central states on May 1 both the number of laying hens and pullets and the egg production per flock were a little higher than on the same date in the two immediately preceding years, but were somewhat below the 1928-1932 average. Egg production per 100 layers, however, was higher than in the preceding years and higher than the 1928-1932 average.*

Grain and Forage Crops

The May 1 USDA crop report indicated that winter wheat production in the three states in this district that raise it in important quantities would be much larger than last year and about equal to the ten-year average. The larger production estimate was the result of better condition on May 1 and less abandonment than a year ago because of heavier snow cover last winter. While abandonment in Minnesota was smaller than the ten-year average, in the district as a whole and in the entire United States, the abandonment was larger.

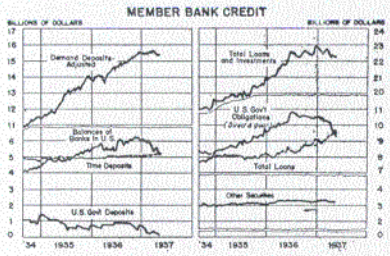
Rye production also will be well above last year in our four states and nearly as large as the ten-year average. The condition of rye on May 1 was better than on the same date last year in Minnesota and South Dakota but was lower than a year ago in North Dakota and Montana. The much larger estimated production was principally the result of a great increase in the acreage left for harvest. The indicated yield was 10.3 bushels per acre. The percentage of rye left for harvest in our four states was much higher than in the entire United States chiefly because a larger proportion of the rye in this district is planted for pasture and harvest whereas in the entire country, a larger proportion is planted for early spring pasture and is then plowed under.

Recent reports from bankers, elevator companies and railroads operating in our district indicate that favorable weather, including additional moisture, has greatly improved crop prospects in the eastern half of our district. In that section, total crop acreages will probably be about normal, when consideration is given to the acres on each farm withheld from production by the soil conservation program. The small grain seeding was practically complete by May 15, and preparation of land for corn and cane was in progress. Record acreages of forage crops are freely predicted in the areas where livestock raising is or has been an important industry. In the drouth-marked areas, it is planned to devote large acreages to amber and other types of cane that have shown a remarkable resistance to both drouth and grasshoppers.

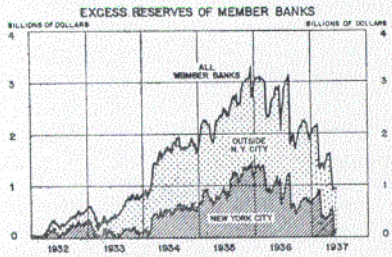
*Statements are based on the records of flocks owned by Crop Reporters in the North Central states which are somewhat larger and better cared for than the average farm flock.

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

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



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to May 19, 1937.



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932 to May 19, 1937.

National Summary of Business Conditions

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

Industrial activity in April and the first half of May was maintained at the relatively high level of recent months. The general level of wholesale commodity prices declined somewhat, reflecting considerable reductions in prices of many raw materials and semi-finished products.

PRODUCTION, EMPLOYMENT, AND TRADE: The Board's seasonally adjusted index of industrial production in April continued at 118 per cent of the 1923-1925 average. Manufacturing production rose further, reflecting increased output of durable goods. Activity at steel mills was at a rate slightly higher than in March and about equal to that in the peak month of 1929. Automobile production continued to expand. In the first three weeks of May output in these industries was maintained at the levels reached at the close of April. Increases in output in April were also reported for lumber and plate glass. At textile mills where output has been at a high level in recent months, there was a slight reduction in activity.

At bituminous coal mines output declined sharply following an increase in March, when consumers accumulated stocks of coal in anticipation of a strike. Crude petroleum output, which has risen sharply from November to March, showed further growth in April. Production of most metals also increased.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased more than seasonally from March to April and continued higher than a year ago, reflecting, as in earlier months of the year, a larger volume of residential building and of other privately-financed work. Contracts awarded for publicly-financed construction have been considerably smaller in the first four months of this year than in the corresponding period of 1936.

Employment rose further between the middle of March and the middle of April. There was a considerable growth in the number of persons employed in manufacturing and on the railroads, little change in those employed in the public utility industries and in trade, and a decline at bituminous coal mines. At factories the principal increases in employment were reported by the steel, machinery, and automobile industries, while the number employed in the clothing industry declined. Working forces at textile mills were maintained, although a decrease is usual at this season. Factory payrolls increased more than employment, reflecting chiefly further increases in wage rates.

In April sales at department stores showed little change and mail order sales were also maintained at the March level, while sales at variety stores declined.

COMMODITY PRICES: The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined from 88.3 per cent of the 1926 average at the beginning of April to 86.9 in the middle of May. Prices of non-ferrous metals, steel scrap, cotton, and rubber declined considerably and there were also decreases in the prices of grains, cotton goods, silk, hides, and chemicals, while prices of shoes and clothing showed further small advances. Since the middle of May prices of hogs and pork have advanced sharply and grain prices have also risen.

BANK CREDIT: Following upon the final increase in reserve requirements, which became effective on May 1, excess reserves of member banks declined from $1,600,000,000 to about $900,000,000 and in the first three weeks of May fluctuated around the new level.

Adjustments by banks to the new requirements were reflected in a decrease in interbank balances and in a small increase in borrowings. The Federal Reserve System in April purchased $96,000,000 of United States government securities, for the purpose of easing the adjustment to the new requirements and preserving orderly conditions in the money market.

Total loans and investments of reporting member banks showed a small decline from the middle of April through May 19. Holdings of United States government obligations and other securities showed some decline, which was offset in part by increases in loans.

While domestic interbank and United States government deposits declined further, balances of foreign banks and other demand and time deposits at reporting member banks increased.

MONEY RATES: The open market rate on 90 day bankers' acceptances, which between January and the latter part of March had advanced from 3/16 to 9/16 per cent, was reduced to ½ per cent on May 7, and the rate on 9 months' Treasury bills declined to .62 per cent on May 24 compared with a high point of .74 per cent on May 3. Other short-term rates have shown little change in recent weeks. Yields on long-term Treasury and other high-grade bonds have declined somewhat.