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

Vol. 7 (Serial No. 280) Federal Reserve Bank, Minneapolis, Minn. April 28, 1938

**March business volume was about the same as in February. City and country member bank deposits declined. Reserve requirements changes substantially increased excess reserves of member banks. Farmers' cash income and livestock prices were slightly higher than in February but grain prices were lower.**

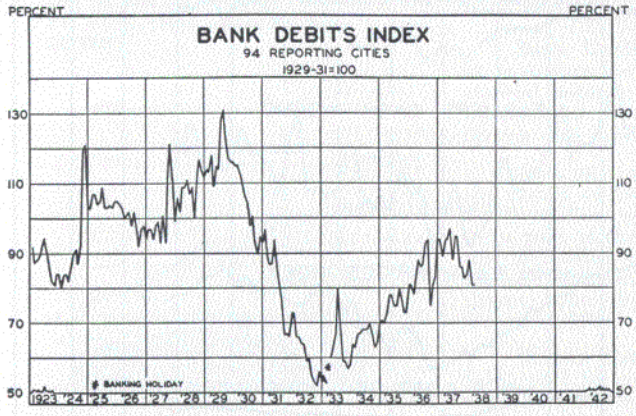
### BUSINESS

**The volume of business** in March as measured by our seasonally adjusted indexes and other business indicators showed no significant change from that of the preceding month in either the urban or rural sections of the district, but was lower than in March last year.

**Northwestern Business Indexes**
(1929-1931=100)

| | Mar. 1938 | Feb. 1938 | Mar. 1937 | Mar. 1936 |
|---|---|---|---|---|
| Bank debits—94 cities | 81 | 81 | 94 | 83 |
| Bank debits—farming centers | 89 | 88 | 97 | 83 |
| Country check clearings | 140 | 141 | 159 | 139 |
| City department store sales | 98 | 87 | 97 | 87 |
| City department store stocks | 79 | 80 | 84 | 79 |
| Rural department stores sales | 91 | 91 | 106 | 92 |
| Country lumber sales | 87 | 93 | 88 | 73 |
| Miscellaneous carloadings | 80 | 76 | 103 | 89 |
| L.C.L. carloadings | 64 | 64 | 69 | 65 |

**Industrial production** during the first quarter of 1938 as reported by 42 representative industrial firms averaged about 8 percent lower than the first quarter of 1937 but **sales** were better sustained and were only 4 percent smaller. As a result, **finished goods inventories** declined during the quarter to about the same level as one year earlier. **Raw material purchases** were down 14 percent, sufficiently below the volume of the first quarter of 1937 so that despite the smaller production, **raw material inventories** declined to below the March 31, 1937 level. **Unfilled orders** on March 31 were 15 percent smaller than on the same date last year and the **number of employees,** 10 percent smaller.




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

**Daily average bank debits** for March were smaller in each section of the district than in March last year. The smallest decrease was reported by banks in the wheat and mixed farming section which was closely followed by the southwest beef and pork section (southwestern Minnesota and eastern South Dakota).

**Department store sales** in the district were 9 percent smaller in March this year than last largely because Easter with its attendant holidays was in March in 1937 but in April this year. Sales in the first quarter of 1938 were about 5 percent smaller than in the same period last year. Sales at city department stores held up much better than at country stores during March and if an allowance were made for the Easter factor, the March total in the cities would have been slightly higher than in March last year. Country store totals in each of the sections in all of the states were smaller than in March last year. The smallest decline was in the total for the Red River Valley section of Minnesota. This section and the three sections in southern Minnesota would be above the March 1937 level if allowances were made for the effect of the early Easter last year. Preliminary reports from some of the reporting city department stores for the first three weeks of April indicate

**Sales at Department Stores**

| | No. of Stores | % Mar. 1938 of Mar. 1937 | Cumulative % 1938 of 1937 |
|---|---|---|---|
| Mpls., St. Paul, Duluth-Superior | 21 | 94 | 95 |
| Country Stores | 465 | 87 | 94 |
| Minnesota | 162 | 93 | 98 |
| Central Minn. | 28 | 91 | 97 |
| Northeastern Minn. | 17 | 89 | 93 |
| Red River Valley, Minn. | 13 | 99 | 108 |
| South Central Minn. | 37 | 93 | 97 |
| Southeastern Minn. | 22 | 97 | 99 |
| Southwestern Minn. | 45 | 93 | 99 |
| Montana | 47 | 78 | 88 |
| Mountain | 22 | 76 | 86 |
| Plains | 25 | 80 | 90 |
| North Dakota | 86 | 90 | 97 |
| North Central N. Dak. | 15 | 94 | 99 |
| Northwestern N. Dak. | 12 | 80 | 85 |
| Red River Valley N. Dak. | 25 | 98 | 107 |
| Southeastern N. Dak. | 28 | 85 | 93 |
| Southwestern N. Dak. | 6 | 83 | 82 |
| Red River Valley–Minn. & N.D. | 38 | 98 | 107 |
| South Dakota | 87 | 91 | 98 |
| Southeastern S. Dak. | 16 | 94 | 100 |
| Other Eastern S. Dak. | 58 | 90 | 98 |
| Western S. Dak. | 13 | 85 | 85 |
| Wisconsin and Michigan | 83 | 85 | 90 |
| Northern Wis. and Mich. | 43 | 86 | 90 |
| West Central Wis. | 40 | 84 | 90 |
| Total District | 486 | 91 | 95 |

a 14 percent gain over the same three weeks, last year largely because of the very substantial increases in the week preceding Easter.

**Lumber sales** at 474 country lumber yards in March were 5 percent larger than in the preceding month and very nearly as large as in March a year ago. Stocks on hand at the end of March were 7 percent smaller than on the same date last year.

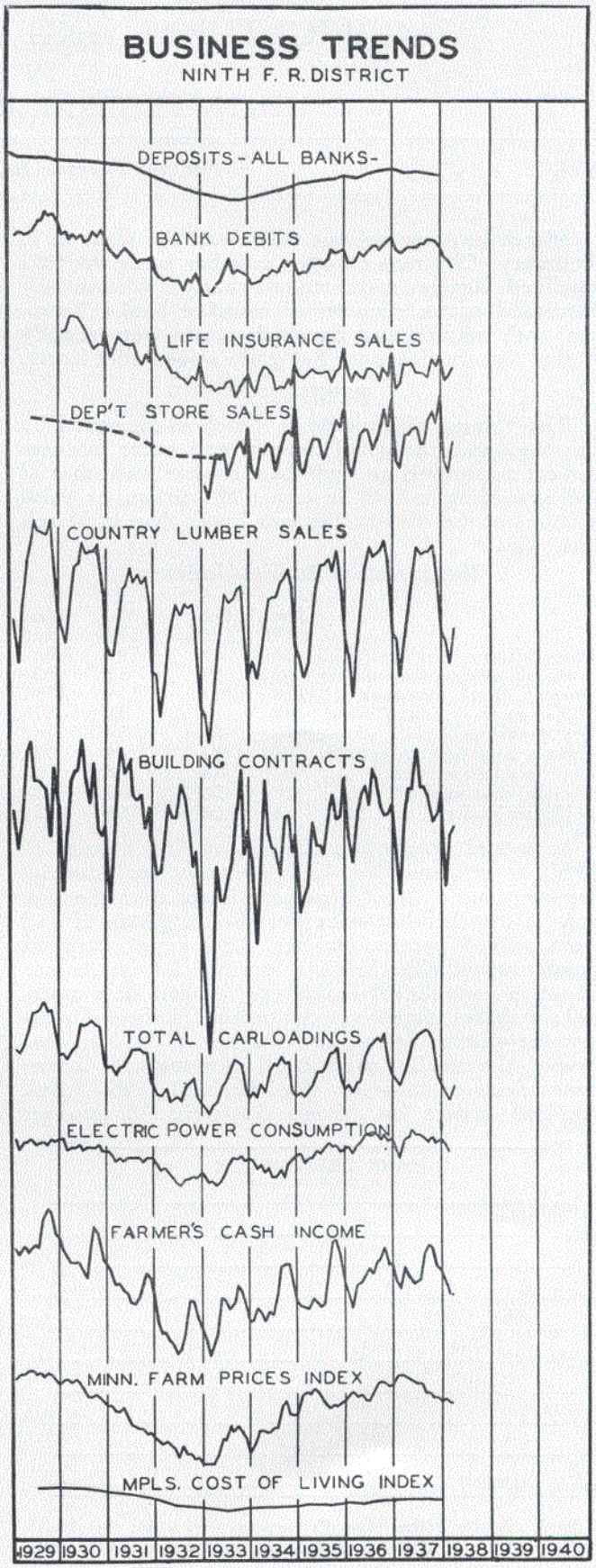
**The number of building permits** issued in March was more than double the number of the preceding month and slightly larger than the number issued in March last year. The average valuation of those permits, however, was much smaller in March 1938 than in the preceding month and also smaller than in March 1937. **Building contracts awarded** in March were a little higher than in February but were well below the March 1937 level, principally because of very sharp decreases in the volume of public utility and commercial building. There were large increases in the volume of contracts awarded for educational and public buildings, and smaller increases in awards for hospitals, religious and memorial buildings, public works and factories but these were more than offset by the sharp decreases previously mentioned and a substantial decrease in the ever important residential building.

**Iron mining activity** in March as measured by ore carloadings was substantially below a year ago, but larger than any other year since 1933. Stocks of iron ore at Lake Erie ports and furnaces on April 1 were the largest for that date in our 15-year records, while March iron ore consumption by furnaces was the smallest it has been since 1933. Copper and silver output increased from the February level but were smaller than during March 1937. Gold output was 19 percent larger than during February and 7 percent larger than in March last year. Copper mining employment decreased during March and at the end of the month the total number employed was 24 percent less than on that date last year.

**Other indicators of business volume** that were lower in March than in the same month last year were sales of new cars in North Dakota, wholesales of groceries, drugs and sundries, hardware, electrical goods and shoes; life insurance sales; mortgages recorded in Hennepin and Ramsey Counties; flour production and shipments from Minneapolis; linseed product shipments; the amount of lumber cut and lumber shipment. Increases over the March 1937 volume were recorded for sales of new trucks in North Dakota and warranty deeds recorded in Hennepin and Ramsey Counties.

## BANKING

**Country member bank deposits** averaged smaller during the latter half of March than in the latter half of February, largely because of a decline in demand deposits at Montana member banks. There was no change in time deposits. The earning assets decrease of $2 million equalled the deposit decline. Excess reserves continued to be nearly $14 million in March. Compared with the last half of March, 1937, demand deposits were off $16 million, part



of which was counteracted by a $3 million increase in time deposits. Earning assets were reduced $7 million and balances with us and due from correspondents were down $2 and $4 million respectively.

**City member bank deposits** decreased $11 million in the four week period ended April 13. Most classes of demand deposits showed some decline but nearly half of the decrease was in country bank balances. Total loans and investments showed little change, decreases in loans to customers and in direct United States Government obligations being fully offset by increased holdings of other stocks, bonds and securities. Reserve balances with us declined $3 million, lowering excess reserves by that amount to $6 million. Compared with the middle of April last year, deposits were down $25 million, $21 million of which was in demand deposits of individuals, partnerships and corporations, but miscellaneous liabilities were $4 million larger. Total loans and investments were down $16 million and balances with correspondents and collection items were down $9 million. Balances with us were $4 million higher on April 13 than on the comparable date last year but excess reserves were $1 million lower.

**Deposits at all member banks** in the district (466) on March 7 totaled $986 million, $13 million less than at the end of last year and the lowest since March 1936. The decrease was equally divided between country and city banks. Loans and investments totaled $756 million, $214 million of which represented loans to customers, $160 million commercial paper, non-Government bonds, stocks and securities and the balance direct or indirect obligations of the United States, 13 percent of which were indirect. Total holdings of United States Government obligations by weekly reporting banks in the district increased sharply between December 31, 1937 and March 7, 1938 largely as a result of a $13 million increase in holdings of Treasury bills. There was a small increase in holdings of Treasury bonds with maturities after December 31, 1949 and a slight decline in holdings of Treasury notes. At country banks, total holdings of governments were unchanged but about $2 million of Treasury bonds maturing prior to December 31, 1949 were exchanged for a like amount of Treasury notes.

Effective April 16, legal reserve requirements on time deposits at all member banks in the district were reduced from 6 percent to 5 percent by the Board of Governors of the Federal Reserve System. At the same time, required reserves on demand deposits at banks in reserve cities (Minneapolis, St. Paul and Helena, Montana) were reduced from 20 percent to 17½ percent and at banks in all other towns and cities of the district from 14 to 12 percent. These changes resulted in an increase of over $7 million in excess reserves of the nine reserve city banks in the district and more than $6 million in excess reserves of the 457 other member banks in the district. However, since April 15, excess reserves of both city and country banks have been reduced somewhat as a result of decreases in reserve balances with us. At reserve city banks in Minneapolis and St. Paul reserve balances were decreased about $6 million causing a reduction in excess reserves to about $8 million on April 21.

On April 15, in connection with the Treasury Department's gold desterilization program, the United States Treasurer's general account with us was increased $50 million. On Wednesday, April 20, the balance was $48 million, the largest balance in that account ever shown on our weekly published statement.

## AGRICULTURE

### Farm Income and Prices

**Farmers' cash income in the Ninth District** from the sale of 7 farm products during March increased slightly from the February volume but was 14 percent smaller than in March last year. Decreased marketings were largely responsible for the lower income from flax and hogs when compared with a year ago but lower prices were responsible for the declines in income from bread wheat, rye and potatoes. The only two products to show increased income were durum wheat and dairy products, increased marketings of which more than offset the effect of lower prices for those two commodities. Our estimates do not include government payments.

**USDA estimates of cash income** received by farmers in this district in February were seasonally lower than in January but were also 6 percent lower than the estimates for February 1937. South Dakota was the only state to show an increase over February last year. Government payments in February were about $6 million this year compared with nearly $10 million in February 1937.

**Grain prices in March** were all a little lower than in February excepting corn which was unchanged, and were far below prices for March 1937 with the exception of flax which was only a little lower than in March last year. Cattle prices were stronger in March than in February but with the exception of light stocker and feeder steers and veal calves were lower than in March last year. The greatest declines were in prices for heavyweight prime butcher steers and feeders, both of which have declined about one-third since March a year ago. Egg and potato prices rose slightly during March but there were slight declines in prices for butter, milk, hens and wool. Compared with a year ago, the price for fat hens was unchanged; dairy product prices were 18 percent lower, egg and wool prices one-third lower and potato prices have dropped from $1.64 per bushel to $.64. The University of Minnesota farm price index declined in March to 76, the lowest of any month since November 1935. The March 1937 index was 104.

### Livestock and Livestock Products

**Receipts of cattle and calves** at South St. Paul increased more than seasonally during March and were the largest of any March in our 19-year records. Cattle receipts during the first three months of 1938 were 6 percent larger than in the same period last year despite a two-thirds decrease in

Canadian importations. Calf receipts were 17 percent less than the large calf receipts during the first quarter of last year. The quality of the cattle received in March was reported to be the best for several years. Prices of all classes of butcher cattle advanced during the month but remained well below March 1937. Light butcher steers were $7.50 compared to $6.50 in February and $9.25 in March last year. During the first two weeks of April, receipts continued large but with a strong undertone to the market, prices again advanced.

**Shipments of stocker and feeder cattle** from South St. Paul increased seasonally during March to 131 percent of March 1937. Shipments during the first quarter of 1938 were 125 percent of the first quarter of 1937. The USDA reported 20 percent more cattle on feed in the corn belt states on April 1, 1938 than on that date in 1937. As a result of plentiful supplies of feed and good prospective pastures South Dakota showed a 75 percent increase over a year earlier, and there was a 5 percent increase in Minnesota. The March price of light stocker and feeder steers was $6.50 compared to $6.00 in February and $6.50 in March 1937.

**The dairy cow market** at South St. Paul during March was steady for good quality dairy type cows, supplies of which were limited. Declining dairy product prices sent increased numbers of lower grade cows to slaughter buyers. The March price range was $85-$40.

**Hog receipts** at South St. Paul decreased seasonally during March and were 4 percent smaller than in March 1937. Receipts during the October-March hog marketing season were 1,139 thousand compared to 1,265 thousand head in the 1936-37 season. Receipts during the first quarter of 1938, however, were 22 percent larger than during the same period last year. "The Hog Situation" published by the USDA stated, "Supplies of hogs for market for the marketing season ending September 30 will be considerably larger than a year earlier. In view of the favorable corn-hog ratio and the present low level of hog production in many areas, it is expected that the 1938 spring pig crop will be larger than that of 1937." Hog prices advanced for the third consecutive month in March despite declines that occurred in the last half of the month. The March median price was $8.80, the highest since last October. In March 1937 the price was $9.90. During the first half of April, prices continued the gradual decline which started about mid-March, but upturns in dressed pork prices at the middle of April checked the downward trend.

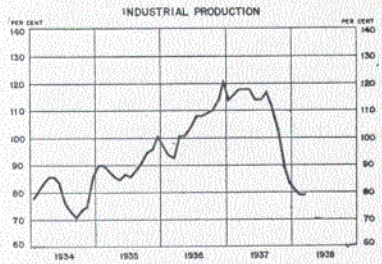
**Receipts of sheep and lambs** at South St. Paul decreased less than seasonally during March and were 50 percent larger than in March 1937. Sheep receipts for the first quarter of 1938 were 4 percent larger than during the same period last year. The USDA reported in The Sheep and Lamb Situation, "The early spring lamb crop in the principal early lambing states is at least 15 percent larger this year than the small early lamb crop of 1937." Fat lambs reached a "top" at South St. Paul of $9.40 during March compared to $8.00 in February and $14.00 in March 1937. During the first two weeks of April, prices weakened somewhat as a result of a recession in dressed lamb prices.

**Commercial and farm hatchings of chickens** for the entire 1938 season will probably be from 5 to 10 percent larger than the 1937 hatch, according to the USDA's The Poultry Situation. While actual estimates of farm hatchings are not available, the cumulative increase at commercial hatcheries in January and February was 20 percent above 1937. Major factors in the expected increased hatchings are the favorable feed situation and the present low level of the number of laying hens on farms.

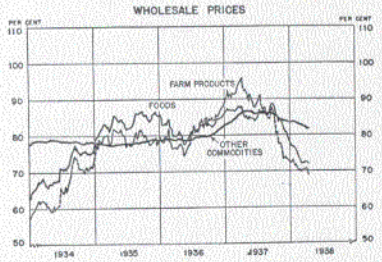
**Cold storage holdings** of butter were 71 percent above the 5-year average for April 1 and were the largest for that date since 1934. The much larger April 1 stocks were the result of the less-than-average volume of withdrawals during March which were made unnecessary by the unusually early upturn in butter production this spring. Supplies of cheese were 16 percent above normal, but holdings of cream were about half the usual amount. Holdings of all classes of meat on April 1 continued to remain below normal. Stocks of beef continued to be 61 percent of the 5-year average, showing the regular March decline in volume in spite of the 11 percent larger-than-usual cattle slaughterings. Inventories of pork declined a little more than usual as a result of the 10 percent smaller-than-usual March slaughterings. Lard inventories were 4 percent smaller than average. Lamb and mutton holdings decreased less than usual during March. Storage supplies of eggs were 54 percent above average but poultry holdings were 5 percent below normal.

**Farm stocks of corn, oats, and wheat** on April 1 all reflected last year's increased production and were much larger than on the same date last year. Stocks of both corn and wheat were larger than on April 1 in any year since 1933 when marketings of the large 1932 production were retarded by extremely low prices. Oat stocks were smaller than on April 1, 1936, but with that exception were also the largest since 1933. In the United States as a whole, April 1 corn stocks were 2½ times as large as on the same date last year, wheat stocks were two-thirds larger and oat stocks about half again as large as on April 1, 1937.

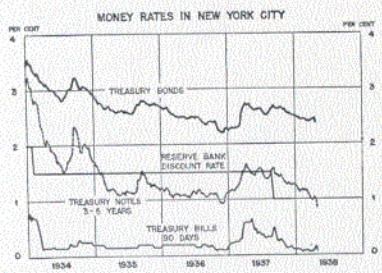
**Early reports from country elevator operators** and bankers scattered throughout the principal grain raising sections of Minnesota and North Dakota indicate that moisture conditions are much more favorable than last year and that the season is about two weeks in advance of this date last year. Seeding has progressed rapidly as a result of favorable weather and soil conditions. Very few reports of damage from freezing temperatures of late March and early April have been received. Apparently, acreage distribution between the principal grain crops will vary from that of 1937 but total acreage will show little change.



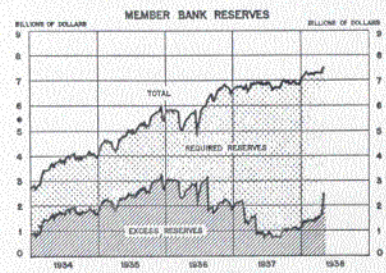

Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to March 1938.




Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ended April 16, 1938.




Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3 to 5-year Treasury notes and on Treasury bonds callable after 8 years, and weekly average of daily dealer's quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ended January 6, 1934 to April 23, 1938.




Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934 to April 20, 1938.

# National Summary of Business Conditions

## COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 26, 1938

In March and the first three weeks of April industrial activity continued at about the same rate as in January and February. Distribution of commodities to consumers showed less than the usual seasonal increase and wholesale commodity prices declined further.

**Production:** The volume of industrial production showed little change from February to March and the Board's index, which is adjusted for the number of working days and for usual seasonal variations, remained at 79 percent of the 1923-1925 average. In the steel industry, output of ingots averaged 33 percent of capacity in March and continued at about this level in the first three weeks of April. Shipments of finished steel in March, as in other recent months, were at a somewhat higher rate than output. Automobile production, which usually expands sharply at this time of the year, showed little change from the low level of January and February, and output of tires and plate glass likewise remained at a low rate. In the lumber and cement industries there were considerable increases in output in March. At cotton and silk textile mills and shoe factories activity rose somewhat, while production at woolen mills declined following a rise in February. Declines were reported also for meat packing and sugar refining. At mines, where production decreased generally in February, output of bituminous coal and non-ferrous metals continued to decline in March, while production of anthracite and crude petroleum increased somewhat.

The value of construction contracts awarded showed a considerable increase in March, according to figures of the F. W. Dodge Corporation. Awards for residential work which had advanced moderately in February, increased sharply in March but were still 12 percent less than in March 1937. Contracts for other private work also increased in March, but remained considerably smaller than a year ago. The value of public projects showed an increase and was higher than last year.

**Employment:** Factory employment declined somewhat and payrolls showed little change from the middle of February to the middle of March, although increases are usual at this season. The number employed in the machinery industries decreased considerably further and at woolen mills there was also a substantial decline, while most other manufacturing industries showed moderate declines or little change. Employment on the railroads and in the public utilities declined somewhat further in March, while in other non-manufacturing lines there was little change in the number employed.

**Distribution:** Sales at variety stores and by mail order houses increased seasonally in March, while sales at department stores showed less than the usual rise. The Board's seasonally adjusted index of department store sales declined from 88 in February to 86 in March and figures for the first three weeks of April indicate some further decline. Freight carloadings showed little change from February to March, although a rise is usual at this time of the year. Shipments of coal declined substantially and miscellaneous loadings increased by less than the usual seasonal amount.

**Commodity Prices:** Wholesale commodity prices generally declined from the middle of March to the third week of April. There were further decreases in prices of a number of raw and semifinished industrial commodities, and prices of some leading agricultural products also declined, reflecting in part seasonal influences. In the middle of April prices of some industrial materials advanced slightly from the lows reached earlier in the month.

**Bank Credit:** During March and the first three weeks of April, total loans at reporting member banks in 101 leading cities declined further, reflecting a substantial reduction in loans to brokers and dealers in securities and also declines in commercial loans. Holdings of investments showed little net change, declining in March and increasing in April.

As a part of the government's program for encouragement of business recovery, the Board of Governors reduced reserve requirements of member banks by about $750 million effective April 16 and excess reserves correspondingly increased. As a part of the same program the Treasury discontinued the inactive gold account and deposited about $1,400 million of gold certificates with the Federal Reserve banks. Additions to excess reserves from this source will occur as the Treasury draws upon these deposits to meet current expenditures and the retirement of Treasury bills.

**Money Rates and Bond Yields:** Yields on Treasury bonds declined from a level of 2.50 percent in the first half of April to 2.32 percent on April 22. The average yield on 3-5 year Treasury notes declined to a new low of .81 percent, which compared with the previous low of .91 per cent in December 1936. The rate on three-month Treasury bills declined to virtually a no-yield basis. Other short-term open market money rates remained unchanged in the first three weeks of April.