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

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April business volume receded slightly from the level of March. City department store stocks dropped to the lowest level in nearly 5 years. Loans and investments of member banks declined in April and excess reserves increased sharply. Farmers' cash income, grain and most livestock prices declined.

BUSINESS

The volume of business in April as measured by most of our seasonally adjusted indexes and other business indexes was a little lower than in the preceding month. Three indexes were higher in April than in March, the total bank debits index and the indexes of sales at country department stores and country lumber yards, the latter two indicating a somewhat higher rate of business activity in the rural sections than in the urban sections of the district. With the exception of the country lumber sales index, all of our indexes were lower in April 1938 than in April 1937.

Northwestern Business Indexes

1929-31=100

	April 1938	March 1938	April 1937	April 1936
Bank debits—94 cities	90	81	94	88
Bank debits—farming centers	88	89	93	85
Country check clearings	143	145	153	146
Department store sales	88	98	89	86
Department store stocks	70	79	76	76
Rural department store sales	94	91	97	90
Country lumber sales	100	99	93	90
Miscellaneous carloadings	69	80	97	86
L.C.L. carloadings	63	64	70	66

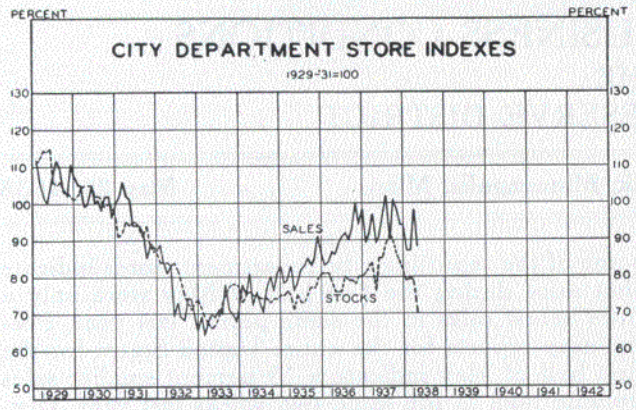
Daily average bank debits for April were smaller than a year ago in each section of the district except in the cities of St. Paul and South St. Paul. The increase at St. Paul was merely the result of transfers of state funds but the South St. Paul increase was the result of the larger volume of livestock receipts, especially cattle and sheep.

Department store sales in the district during April were well above the same month last year as a result of the April Easter this year. When sales for the two months March and April are combined in order to equalize the effect of the Easter factor, 1938 sales were 2 percent smaller than in the same two months in 1937. March-April sales at city department stores were almost identical in the two years but sales at rural department stores were 4 percent smaller than in 1937. The March-April sales decline in this district was much smaller than the 10 percent decline in the entire United States. Preliminary reports from some of the reporting city department stores indicate that sales during the first half of May were only a little below sales in the same period last year. Preliminary reports for the entire United States for the first half of May indicate a 15 percent smaller sales volume than in the same two weeks last year. During the second week of May, incomplete reports indicate a smaller decline in this district than in any of the twelve Federal Reserve Districts in the United States. Cumulative sales for 1938 at 466 reporting stores in the rural sections of the district were 97 percent of the total for the first four months in 1937 and at 21 city stores were 98 percent of sales in the same four months last year.

City department store stocks, as shown in the accompanying chart, declined to the lowest level since July 1933. The April decline was the sharpest drop shown in our records beginning with 1929, and the 21 point decline since last August was also without parallel. Some of the department managers that have been outstandingly successful in moving their stocks have re-entered the market, have placed orders for goods to replenish their shelves and stock rooms and are entering orders for fall delivery.

Sales at Department Stores

	No. of Stores	% Apr. '38 of Apr. '37	% Mar.-Apr. '38 of Mar.-Apr. '37
Mpls., St. Paul, Duluth-Superior	21	105	100
Country Stores	466	105	96
Minnesota	166	108	100
Central Minn.	31	107	101
Northeastern Minn.	20	105	96
Red River Valley Minn.	12	114	106
South Central Minn.	37	105	99
Southeastern Minn.	22	108	102
Southwestern Minn.	44	112	102
Montana	60	98	88
Mountain	20	94	85
Plains	40	101	90
North Dakota	88	111	101
North Central N. Dak.	17	109	101
Northwestern N. Dak.	13	101	91
Red River Valley N. Dak.	24	123	119
Southeastern N. Dak.	28	101	93
Southwestern N. Dak.	6	112	98
Red River Valley—Minn. & N.D.	36	120	110
South Dakota	88	106	99
Southeastern S. Dak.	17	110	102
Other Eastern S. Dak.	58	105	98
Western S. Dak.	13	99	92
Wisconsin and Michigan	64	102	94
Northern Wis. and Mich.	39	104	96
West Central Wis.	25	100	92
Total District	487	105	98



Indexes of Sales and Stocks at 19 City Department Stores, Adjusted for Seasonal Variation.

Lumber sales in board feet at 481 country lumber yards in April were 71 percent larger than in March and 11 percent larger than a year ago. Stocks on hand on May 1 were 7 percent smaller than on that date last year.

Building permit data reported to us by various officials in the more important cities of the district has during the last month become much more representative than heretofore through the addition of 28 cities to the reporting group. Invitations to join the group of cities that are cooperating with us in the collection of representative and reliable data on the building situation have been extended to officials in other cities and it is expected that the group will be still larger next month. In the 46 cities now reporting to us, both the number and valuation of permits issued during April were 13 percent smaller than in April last year. Among the cities that have been reporting to us for several years, Rochester, Minn. and Eau Claire, Wis. showed substantial increases. The largest increase reported by any of the cities that were added to the list last month was reported by Billings, Mont. where the April 1938 volume was nearly twice as large as that of April last year. Substantial increases in the total valuation of building permits issued were also reported by Minot, N. D. and So. St. Paul, Morris, Little Falls, Moorhead and Crookston, Minn.

Building contracts awarded in April throughout the Ninth District were one-third larger than in the preceding month but one sixth smaller than in April last year. Most of the decrease was in commercial and public building. Contracts for public works accounted for nearly half of the total volume in April this year, compared with only one third in April, 1937. Residential contracts increased substantially during April, were more than a quarter of the monthly total and were larger than a year ago. Contracts for factories were also larger than in April 1937, and for public, religious and memorial buildings.

Iron mining activity in April as measured by ore carloadings was only 10 percent of last year's volume but was larger than in any other April with the exception of 1935 since 1930. Stocks of iron ore at Lake Erie ports and furnaces on May 1 were the largest for that date in our 15-year records, partly the result of the smallest April iron ore consumption by furnaces since 1933. Copper and silver output were about the same as in March but were 25 percent smaller than in April last year. Gold production decreased 2 percent during April but was 15 percent larger than in April last year.

Other indicators of business volume that were lower in April than in the same month last year were sales of new cars and trucks in North Dakota, wholesales of groceries, hardware, drugs and sundries, electrical goods and tobacco products, mortgages and warranty deeds recorded in Hennepin and Ramsey Counties, linseed product shipments, lumber cut and lumber shipments and life insurance sales. The number of business failures was larger than a year ago. An increase over April 1937 volume was recorded in flour shipments from Minneapolis and flour production in the Ninth District. Non-farm real estate foreclosures in March were substantially below those of March 1937.

BANKING

Country member bank deposits averaged smaller in the latter half of April than in the same period in March by about $3 million. Practically all of the decline was in demand deposits at Minnesota member banks and was in anticipation of the May 1 money and credits tax date. There were small declines in time deposits in each of the states and part states of the district except Wisconsin, but the total time deposit decrease was less than $2 million. There was no change in earning assets held, deposit withdrawals being met by a reduction in balances with other banks and reserve balances with us. Despite a decrease of $3 million in reserve balances, excess reserves rose to nearly $17 million as a result of the April 16 decrease in reserve requirements.

City member bank deposits were about the same on May 18 as on April 13 despite a $15 million drop at the end of April which was largely at Minnesota banks in preparation for the May 1 tax date. Holdings of United States government securities declined $11 million, other securities $5 million and loans to customers $4 million during the 5-week period, all of which, together with $5 million withdrawn from reserve balances at this bank, were used to build up balances with other banks. On May 18, city member banks in this district had $102 million on deposit with their correspondent banks, an increase of $29 million over April 13. Excess reserves on May 18 were approximately $14 million.

AGRICULTURE

Farm Income and Prices

Farmers' cash income in the Ninth District from the sale of 7 farm products during April declined sharply from the March volume and was more than one-fourth smaller than in April last year. The only income item to show any important increase over

the preceding month was dairy products. Increased dairy production in April more than offset the lower prices for both butter and milk. April dairy product income, however, was a little below that of April last year. Flax income was slightly higher than in March, but because of the smaller-than-usual marketings this spring, it was only a third of the April 1937 total. These estimates do not include government payments.

USDA estimates of cash income received by farmers in this district during March were far above the February level but were 9 percent smaller than in March 1937. Each of the states and part states in the district showed increases over February but they each showed decreases when compared with March last year with the exception of South Dakota where increased crop, livestock and benefit income raised the total to nearly one-fifth larger than in March 1937.

Grain prices in April declined generally from those of March with the exception of corn. All grain prices were far below the April 1937 level. Cattle prices were mostly higher in April than in March, but hog, calf, lamb and ewe prices declined. Prices for all classes of livestock were lower in April than in the same month last year with the exception of ewes and light feeder and stocker steers. Poultry product prices advanced in April to about the same level as in April last year but prices of dairy products, potatoes and wool all declined. Potato prices were lower than at any time since the heavy marketing season last fall and the April wool price was the lowest since 1935. The University of Minnesota farm price index remained unchanged from March at 76, the lowest since late in 1935. The April 1937 index was 101.

Livestock and Livestock Products

Receipts of cattle at South St. Paul were smaller in April than in March, but were 18 percent larger than in April a year ago. Calf receipts were smaller than in March and in April last year. During the first four months of 1938, 9 percent more cattle were received than during the first four months of 1937 but calf receipts were 18 percent smaller.

Imports of Canadian beef cattle in April trebled the March volume but were little more than half as large as in April 1937. Importations of Canadian beef cattle, calves, and dairy cows during the period January 1-May 12, 1938 were all smaller than in the same period last year.

Shipments of stocker and feeder cattle were somewhat smaller in April than in March, but were 27 percent larger than the April 1937 volume. Feeder shipments during the first four months of 1938 were about one-fourth larger than in the same period last year. Feeder cattle prices followed the advance of beef cattle during April.

The dairy cow market at South St. Paul slumped seasonally in early April, but high grade cows sold well in the latter half of the month as a broad shipper demand developed. The "top" price of $90 was the highest since June 1937. The price range for April was $90-$40. Shipper demand continued strong during the first three weeks of May, resulting in firm prices and a rapid absorption of all offerings.

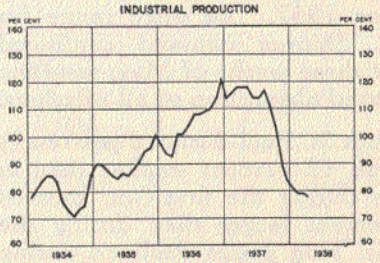
Hog receipts at South St. Paul declined seasonally during April and were 12 percent smaller than in April 1937. Receipts during the first four months of 1938 were 15 percent larger than during the same period last year. Hog prices declined during April to $8.15 compared to $8.80 in March and $9.80 in April last year. The Bureau of Agricultural Economics states that "Little further weakness in hog prices is expected during the early summer in view of the probable small seasonal increase in hog marketings, the small storage stocks of pork and lard now on hand, and the drop in prices that has occurred since early March." During early May hog prices continued to decline, but small receipts together with an active dressed pork market during the third week of the month shot prices up to a "top" of $8.50, compared to $7.85 in the previous week and $11.35 in the same week last year.

Receipts of sheep and lambs at South St. Paul decreased seasonally during April but were one-third larger than in April last year. However, sheep and lamb receipts during the first 4 months of 1938 were only 6 percent larger than during that period last year.

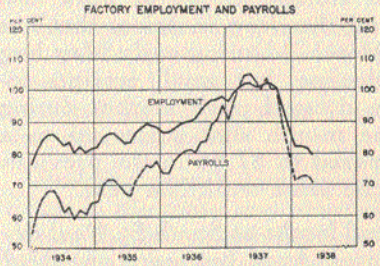
Commercial hatchings of chickens during the first three months of 1938 were 10 percent larger than in 1937. The favorable feed situation and the present small number of layers are the major factors tending toward a larger hatch in 1938 than in 1937. According to The Poultry Situation published by the USDA the number of young chickens on hand June 1 will be from 5 to 10 percent larger than on June 1, 1937.

Cold storage holdings of butter on May 1 were 2½ times the 5-year average, chiefly the result of a very large unseasonal increase during April. Cream and cheese holdings were also above the 5-year average. Egg stocks were 8 percent higher than usual but poultry holdings were about normal. Cold storage inventories of all classes of meat were lower than usual on May 1. Beef holdings were down 40 percent, pork down 18 percent and lamb and mutton down 14 percent from the 5-year average. Holdings of lard increased less than usual as a result of unusually small hog slaughterings in April and were 6 percent below the 5-year average for May 1.

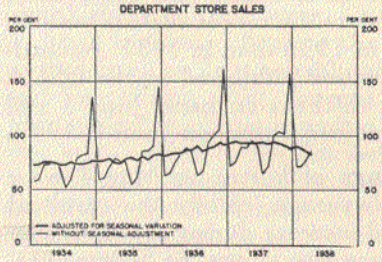
Crop conditions in many sections of the district on May 1 were characterized as being the best in many years and the additional rainfall during the first 18 days of May improved conditions in practically all sections. Some complaints of cut-worm damage have been received from limited areas, principally in southwestern North Dakota but there are no indications at present that damage will be extensive.



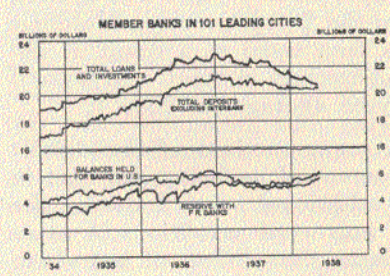
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to April 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1934 to April 1938. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes of value of sales, 1923-1925 average=100. By months, January 1934 to April 1938.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to May 18, 1938. Total deposits, excluding interbank, are adjusted to exclude "float."

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 24, 1938

Industrial production declined in April, reflecting chiefly reduced activity in the cotton textile and lumber industries. Distribution of commodities increased less than seasonally but continued to be somewhat in excess of production. Commodity prices showed a further decrease.

PRODUCTION: In April the volume of industrial production, as measured by the Board's seasonally adjusted index, was at 77 per cent of the 1923-1925 average as compared with the level of about 79 per cent maintained during the first quarter of the year. The decline reflected, chiefly, considerable reductions in output at cotton textile mills and lumber mills, where there had been moderate increases in production in March; in most other manufacturing industries changes in activity were largely seasonal in character. Output at steel mills continued at around 33 per cent of capacity and in the automobile industry showed little change, amounting in April to about 40 per cent of the volume of a year ago. In the first three weeks of May, production of steel and automobiles was at a lower rate than in April. At mines there was a considerable decline in output of anthracite in April, while bituminous coal production showed somewhat less than the usual seasonal decrease. Crude petroleum production continued in large volume.

The value of construction contracts awarded, which had increased considerably in March, showed little change in April, according to figures of the F. W. Dodge Corporation. Awards usually increase somewhat further in April. In the first four months of this year private residential building was about one-fourth less than in the corresponding period last year, while other private work, particularly industrial and utility construction, was only about one-half as large as a year ago. Awards for public projects were somewhat larger than last year.

EMPLOYMENT: Factory employment and payrolls declined from the middle of March to the middle of April, and the Board's seasonally adjusted index of employment was at 79 per cent of the 1923-1925 average as compared with 82 in March and 84 at the beginning of the year. The number employed at automobile factories declined sharply and there were further substantial decreases in the steel and machinery industries and at railroad repair shops. Smaller declines were reported in most other manufacturing industries. Employment at mines and on the railroads also decreased, while in trade there was some increase in the number employed, reflecting partly increased business at the Easter season.

DISTRIBUTION: Distribution of commodities to consumers showed less than the usual seasonal rise in April. The Board's adjusted index of department store sales was 83 in April compared with 86 in March and 90 at the beginning of the year, and figures for the first half of May indicate a further decrease.

Freight carloadings also declined from March to April, reflecting largely reduced shipments of miscellaneous freight and were about 30 per cent less than in April, 1937.

COMMODITY PRICES: Wholesale prices of industrial commodities continued to decline from the middle of April to the third week of May and prices of Agricultural products also decreased somewhat further. Steel scrap, copper and rayon showed considerable declines and there were reductions in prices of some finished industrial products. It was announced that prices of most finished steel products would be unchanged for third quarter delivery.

BANK CREDIT: Total loans and investments of reporting member banks in 101 leading cities showed little change during April and the first half of May. Holdings of United States government obligations increased somewhat, while holdings of other securities and loans declined. Adjusted demand deposits in leading cities increased during the period as a result of expenditures by the Treasury from balances with the Reserve banks. Interbank deposits also increased substantially.

Member bank reserves increased further, reflecting principally Treasury disbursements from its deposits at the Reserve banks, including retirement of $50 million of Treasury bills each week.

MONEY RATES AND BOND YIELDS: Yields on government securities declined slightly further in the four weeks ended May 21 to an average for longer-term Treasury bonds of 2.28 per cent. The average yield on 3 to 5 year Treasury notes declined to a new low of .73 per cent. The rate on three-month Treasury bills continued at record low levels and other open market money rates remained unchanged.