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

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August business volume in the Ninth District was larger than in July but on the whole, below a year ago. Department store sales, country lumber sales and construction activity were above a year ago. Grain marketings were larger than last year but prices were lower. Farm income was below last year's level.

BUSINESS

The volume of business in August as measured by our seasonally adjusted indexes increased at a slower rate over July than did July over June and was the smallest for August since 1935. Retail distribution compared favorably with a year ago as the adjusted index for city department stores was higher than in any August since 1930 and inventories were eight points below last year. The sales index for country general stores was up one point from last year and country lumber sales were the highest for any August since 1929. The bank debits, country check clearings and carloadings indexes remained lower than last year.

Northwestern Business Indexes

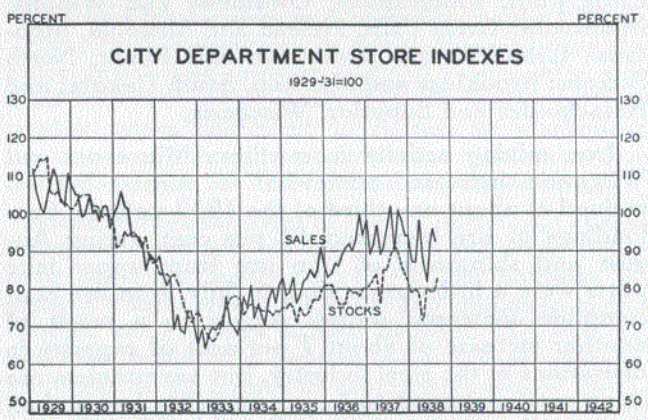
(1929-1931=100)

	Aug. 1938	July 1938	Aug. 1937	Aug. 1936
Bank debits—94 cities	85	83	95	94
Bank debits—farming centers	88	89	97	97
Country check clearings	144	142	161	160
City department store sales	93	96	90	90
City department store stocks	83	79	91	79
Rural department store sales	93	94	92	95
Country lumber sales	101	89	96	93
Miscellaneous carloadings	72	69	90	91
L.C.L. carloadings	62	62	69	69

Daily average bank debits were higher in August than in July at Minneapolis, St. Paul and the Great Lakes Ports, but all other sections of the district showed moderate declines. All sections of the district were below a year ago with the livestock section in southeastern Minnesota and west central Wisconsin having the smallest decline. **Country check clearings** in August were smaller than in July and 11 per cent below August 1937. Minnesota check clearings were 6 per cent below and North and South Dakota 11 per cent below last year with Montana and northern Wisconsin and Michigan showing somewhat greater declines.

Sales at department stores and general stores in the district were larger in August than a year ago and for the first eight months this year were only 4 per cent below the January-August total last year. City stores reported a 2 per cent increase, the first increase over the same month a year earlier since September 1937 with the one exception of April when sales were expanded because of the later date of Easter. Country stores reported an increase of 1 per cent over August last year. The plains section of Montana reported the largest increase, 10 per cent. Every section in North Dakota was above a year ago, especially the northeastern part, the state showing an increase of 7 per cent. South Dakota reported the second highest state increase, 4 per cent larger than in August 1937. Preliminary reports on sales from some of the reporting city stores for the first part of September indicate sales as large as a year ago. **Collections on accounts and notes receivable** at 45 department stores in the Ninth District declined seasonally but were as good as a year ago. Total accounts and notes receivable at these stores increased a trifle during August but with the exception of July 31, 1938 were the smallest for any month end since August 1936.

Lumber sales in board feet at 490 country lumber yards in August were considerably larger than in July and the largest of any August since 1929. Stocks of lumber decreased slightly and were 5 per cent below a year ago. Dollar sales, which include materials other than lumber, were 10 per cent above July but a little less than in August 1937. Receivables rose to 8 per cent above last year, chiefly the result of sales being 5 per cent larger than a year ago and collection volume being 10 per cent less than in August last year.



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

Sales at Department Stores

	No. of Stores	% Aug. 1938 of Aug. 1937	Cumulative % 1938 of 1937
Mpls., St. Paul, Duluth-Superior	21	102	97
Country Stores	436	101	96
Minnesota	151	98	97
Central Minnesota	30	100	98
Northeastern Minnesota	17	98	91
Red River Valley Minnesota	10	100	100
South Central Minnesota	33	94	93
Southeastern Minnesota	19	104	100
Southwestern Minnesota	42	95	99
Montana	48	100	92
Mountain	14	89	88
Plains	34	110	96
North Dakota	80	107	99
North Central North Dakota	16	109	98
Northwestern North Dakota	11	102	92
Red River Valley North Dak.	25	109	105
Southeastern North Dakota	23	105	93
Southwestern North Dakota	5	106	97
Red River Valley—Minn. & N.D.	35	107	104
South Dakota	81	104	96
Southeastern South Dakota	16	100	101
Other Eastern South Dakota	54	108	97
Western South Dakota	11	90	86
Wisconsin and Michigan	76	99	94
Northern Wisconsin & Mich.	39	104	97
West Central Wisconsin	37	95	92

Building contracts awarded in August for the Minneapolis territory as reported by the F. W. Dodge Corporation were 12 per cent larger than a year ago. Residential contracts were 30 per cent larger and public utility contracts, 58 per cent larger than in August last year. Public works amounted to two-fifths of the total valuation of contracts awarded but were a little smaller than those of August 1937, and contracts awarded in the non-residential building classification were less than a year ago.

Building permits reported by cooperating officials in 46 cities in the Ninth District in August were 4 per cent larger than in August last year. Total valuation was 13 per cent above August 1937, chiefly the result of a large increase in new construction. The valuation of repairs and alterations was only slightly above last year. Twenty-four cities reported increases and twenty-two reported decreases in total permits. Large increases were reported in Faribault, Little Falls, Minneapolis, Owatonna and Winona, Minnesota; Great Falls, Helena and Missoula, Montana; Grand Forks, Jamestown and Minot, North Dakota; Brookings and Madison, South Dakota; and Rhinelander and Superior, Wisconsin.

Iron mining activity in northern Minnesota and Wisconsin increased somewhat in August but remained at about one-third of the 1937 volume. Carloadings of ore increased 11 per cent during August and shipments of iron ore from upper lake ports were a little larger than in July. Iron ore consumption increased during August as a result of another increase of about 7 per cent of capacity in operations in the steel industry, but nevertheless ore shipments continued to be considerably larger than consumption and iron ore stocks on September 1 were the largest for that date of any year since 1922. **Copper production** in the district increased during August but was less than one-third of the August 1937 production. Production of gold also increased but remained below last year. Silver production decreased and was less than one-fourth as large as a year ago. The number of employees at four of the leading non-ferrous mines in the district at the end of the month was 3 per cent larger than in July but only about half as large as in August last year.

Other indicators of business volume that were lower in August than a year ago were new passenger car and truck sales in Minnesota and North Dakota, life insurance sales, freight carloadings of all commodities except grains, linseed product shipments, lumber cut and shipped by manufacturers, and wholesales of groceries, shoes, hardware and electrical goods. Increases over August last year were recorded in carloadings of grain and grain products, warranty deeds and mortgages recorded in Hennepin and Ramsey Counties, flour production in Minneapolis and outlying mills and flour shipments from Minneapolis. **Business failures** were larger than a year ago. The number of non-farm real estate foreclosures in July was only half as large as in July 1937.

BANKING

City member bank deposits increased during the four weeks ended September 14 and were larger than a year ago or on any other reporting date for more than 20 months. Demand deposits of individuals, partnerships and corporations were the highest they have been since November 1937 and an all-time record high was established on September 7 for deposits due to other banks. Time deposits continued to increase for the third consecutive month, but remained below last year. Loans to customers increased about 4 per cent during the four week period but were 10 per cent below a year ago. Other invested funds were unchanged during the month, remaining about 12 per cent below September 15, 1937. Reserves held with us declined somewhat during the four weeks to the level of a year ago but balances due from other banks increased sharply and were nearly double the last year's volume.

Country member bank deposits averaged a little higher during the latter half of August than in the latter half of July as a result of a small increase in deposits at Minnesota and Wisconsin banks. All of the increase was redeposited with city correspondents. Total deposits at country banks averaged only 3 per cent smaller than during the last half of August 1937. Country bank reserve balances with us were unchanged during the month, leaving excess reserves at about the $16 million level.

Deposits at all commercial banks in the Ninth District increased $25 million between March 7 and June 30 according to call report abstracts and were only $9 million below June 30, 1937. Investments decreased $77 million during the period but loans remained unchanged. Reserves, including cash and balances with other banks, increased $87 million.

AGRICULTURE

Farmers' cash income from the sale of seven important products in August was 10 per cent below a year ago but larger than in any other year since 1930. Income from durum wheat, flax and hogs was all larger than last year, but reduced prices more than offset increased marketings of bread spring wheat, rye and potatoes, and income from these items remained below a year ago. Dairy product marketings were in about the same volume as last August but prices averaged 19 per cent lower. These estimates do not include government payments.

The USDA's estimate of cash income received during July by farmers in the Ninth District was higher than in June and nearly as large as in July 1937. An increase of 35 per cent in income from livestock and livestock products in South Dakota brought South Dakota's income well above last July. Minnesota income was about as large as a year ago and the other states and part states of the district showed moderate declines.

Grain marketings at terminals increased seasonally during August and as a result of the larger production and early movement of grain this year were substantially larger than a year ago. During the first ten days of September marketings continued to be large but by mid-month were beginning to dwindle, decreasing throughout the third week of the month. Grain prices declined further during August and the first part of September. At mid-September, however, war rumors firmed the market and prices advanced sharply.

Livestock prices showed mixed trends during August. Cattle prices were generally firm. Advances were registered in all classes of cattle with the exception of highly finished butcher steers and butcher cows and heifers. In spite of large receipts during the first half of September prices remained firm and a "top" of $12.15 was recorded during the second week, the highest price paid at South St. Paul since last November. Hog prices declined $1.00 to $8.50 in August compared with $11.50 in August 1937. Lamb prices declined from $8.75 in July to $8.25 in August, $2.00 below August last year.

Other farm product prices were practically unchanged from July, but were all lower than a year ago. Butter, milk and wool prices remained at July levels but poultry prices declined and egg prices advanced slightly. The Minnesota farm price index declined from 73 in July to 60 in August compared to 87 in August 1937.

Receipts of cattle and calves at South St. Paul in August increased less than usual and were one-quarter smaller than in August last year. During the first eight months of 1938 slightly more cattle were marketed than during the same period last year but calf marketings during that period were only three-fourths the volume of a year ago. Market receipts are of higher quality this year. Young cattle are not being marketed as freely as usual due in part to the tendency among northwestern cattle raisers to increase their herds and in part to a desire to put more weight on the surplus stock before selling.

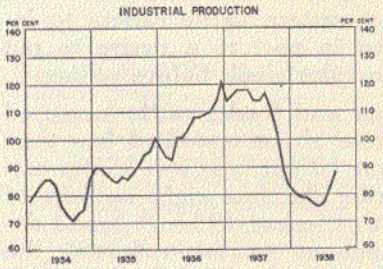
Shipments of stocker and feeder cattle increased during August but were about one-third less than in August 1937. About 10 per cent less feeder cattle were shipped during the first eight months of 1938 than during that period of 1937. A broad demand prevailed throughout August, reflecting the large supplies of feed available this fall. Prices advanced during the month, averaging about 50 cents higher than in July. During the first half of September supplies increased but they were rapidly taken and most good western steers were selling at $7.50-$8.25.

Dairy cow trade during August and the first part of September remained steady. Shipper demand continued broad for good quality cows and prices remained firm. Poor quality cow prices declined in sympathy with butcher cow prices. The bulk of the cows brought $60-$80, the range being $30-$95.

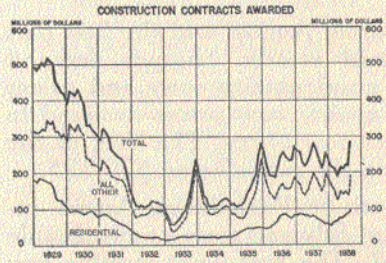
Hog receipts at South St. Paul during August increased seasonally from July and were nearly double those of August 1937. The first eight months hog receipts were nearly one-quarter larger than during that period last year. Heavy receipts of unfinished hogs in August coupled with a dull demand created a near glut condition. The latter part of the month, however, found the quality of receipts improving and cool weather spurred the demand for dressed pork, firming the live market. The spring pig crop started to arrive in the first part of September but the decline in price expected by most buyers did not develop because of the increased demand for dressed pork. A top of $9.10 was established during the second week of September, the highest price paid since the first days of August.

Receipts of sheep and lambs in August increased seasonally but were smaller than a year ago. During the first eight months of this year, however, sheep receipts were slightly larger than for that period last year. August experienced a downward trend in sheep and lamb prices and according to the USDA, "Some further weakness in prices of lambs may develop in the late summer and fall as slaughter supplies increase." During the first two weeks of September prices continued to decline as marketings became heavy at midwestern points. Fat lambs were selling at from $6.75-$7.50 at mid-September.

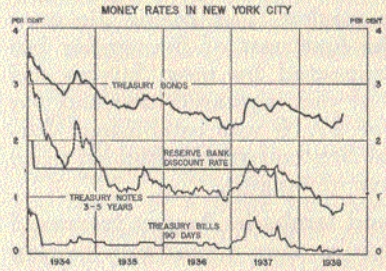
Cold storage holdings of cream, butter and cheese increased seasonally during August and were higher than usual on September 1. Poultry holdings increased a little more than usual and remained above normal, but holdings of eggs declined and were 16 per cent below the September 1 5-year average. Holdings of all classes of meats were below the 5-year average. Pork and beef holdings were only about two-thirds of normal, lamb and mutton slightly below the usual amount on September 1 and lard holdings 13 per cent below the 5-year average.



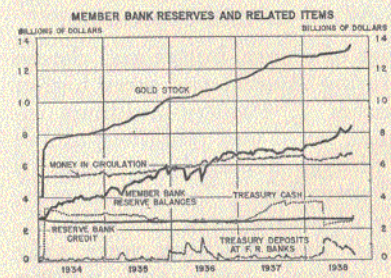
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June, July and August 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 dealers' quotations on 90 day Treasury bills or rate on new bills offered in week. For weeks ended January 6, 1934 to September 17, 1938.



Wednesday figures, January 3, 1934 to September 21, 1938.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 23, 1938

Industrial activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

PRODUCTION: The volume of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 percent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparations for the shift to new model production. At steel mills where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 percent of capacity as compared with 35 percent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon were maintained at the high level reached in July. Shoe production showed a further increase and activity at meat packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced, as wells in Texas were closed on both Saturdays and Sundays, whereas in August only Sunday closings had been required.

The value of construction contracts awarded in 37 eastern states increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the public works administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937. Commercial building, which had increased in July owing to the award of a contract for a large office building, declined in August to about the level of other recent months.

EMPLOYMENT: Factory employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the summer of 1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

DISTRIBUTION: Distribution of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight carloadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

COMMODITY PRICES: Prices of silk and rubber showed some advance from the middle of August to the third week of September and there were also increases at the end of the period in nonferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

BANK CREDIT: A heavy inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over $500 million in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions, excess reserves, which had increased to $3,130 million were reduced to $2,740 million on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States government obligations. Balances held in New York City for foreign banks showed a substantial increase.

MONEY RATES AND BOND YIELDS: The average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to .11 percent, compared with .05 percent. Yields on high-grade corporate bonds increased slightly.