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

Vol. 7 (Serial No. 291) Federal Reserve Bank, Minneapolis, Minn. March 28, 1939

Business volume declined in February and was below February last year. Bank deposits showed little change. Earning assets and excess reserves showed opposite trends at city and country member banks. Lower prices and decreased marketings resulted in smaller farm income.

BUSINESS

The volume of business in February in the Ninth District as measured by our seasonally adjusted indexes declined sharply from the January level. All of the indexes were a little below February last year with the exception of two important indicators, country lumber sales and miscellaneous carloadings, both of which were substantially higher than in February 1938. Country lumber sales in February were the highest for that month since 1931 and with the exception of January were the highest for any month in 8 years.

Northwestern Business Indexes
(1929-1931=100)

	Feb. 1939	Jan. 1939	Feb. 1938	Feb. 1937
Bank debits—94 cities	80	90	81	89
Bank debits—farming centers	87	95	88	87
Country check clearings	142	151	146	148
City department store sales	86	91	87	92
City department store stocks	80	79	80	83
Rural department store sales	87	98	91	92
Country lumber sales	117	119	103	94
Miscellaneous carloadings	84	94	76	102
LCL carloadings	64	66	64	69

Building contracts awarded in February as reported by the F. W. Dodge Corporation were only half as large as in the preceding month and were less than two-thirds as large as in February last year. Termination of the unusually mild January weather resulted in sharp declines in February from the high January level in all of the more important classes of construction, especially in residential, educational and public works contracts. The large decrease from the February 1938 volume was the result of a precipitous drop in public works contracts, only half of which was offset by increases in other types of construction.

Building permits issued in February at 42 cities in the district also declined in dollar amount from the January level but the February total was a little larger than in February last year. The number of permits, however, was larger in February than in the preceding month but smaller than in February last year. As has been the case in other recent months, valuation increases over the same month in the preceding year were the result of a larger volume of new construction, the valuation of permits for repairs and alterations having been somewhat smaller than in the corresponding month one year earlier for 3 successive months.

Warranty deeds recorded in Hennepin and Ramsey Counties in February were a little larger in number than in January and were much larger than in February last year. The number of **real estate mortgages recorded** in the same two counties was about the same as in the preceding month and in February last year. **Mortgages accepted for insurance by the FHA** in January in both number and amount were about twice as large as in January last year but were a little lower than in the preceding month.

Department store sales in February were about as large as in February last year in the rural sections of the district but were slightly smaller than a year ago at the reporting city stores. Country stores in Montana continued to lead those in other states in the district with a gain of 6 per cent, resulting from an 11 per cent increase in the plains section of the state. **City department store stocks** increased seasonally during February and at the end of the month were about the same as last year.

Collections as reported by 45 stores showed a sharp seasonal decline from the high level of January but were larger than in February in any recent year. **Accounts & notes receivable** at the same stores also declined seasonally during February and at the end of the month were smaller than on the same date in any year since 1936.

Sales at Department Stores

	No. of Stores	% Feb. 1939 of Feb. 1938	Cumulative % 1939 of 1938
Mpls., St. Paul, Duluth-Superior	21	98	101
Country Stores	433	100	100
Minnesota	150	100	101
Central Minnesota	28	95	98
Northeastern Minnesota	15	104	102
Red River Valley Minnesota	12	90	93
South Central Minnesota	33	101	101
Southeastern Minnesota	20	96	106
Southwestern Minnesota	42	105	107
Montana	49	106	105
Mountain	14	101	99
Plains	35	111	110
North Dakota	78	93	98
North Central North Dakota	15	97	95
Northwestern North Dakota	11	87	97
Red River Valley North Dak.	23	91	97
Southeastern North Dakota	24	94	98
Southwestern North Dakota	5	106	110
Red River Valley–Minn. & N. D.	35	91	96
South Dakota	83	99	101
Southeastern South Dakota	16	101	101
Other Eastern South Dakota	54	98	101
Western South Dakota	13	96	101
Wisconsin and Michigan	73	98	95
Northern Wis. and Mich.	40	95	98
West Central Wisconsin	33	101	93
Total District	454	99	101

Business failures in February were fewer in number and somewhat smaller in amount than in the preceding month. Compared with February last year, the number of failures showed a reduction of one-fourth and the amount of liabilities a reduction of five-sixths. The number of **non-farm real estate foreclosures** in January was well below the number in the preceding month and less than half as large as in January last year.

Electric power consumption in January was smaller than in December but was well above the amount consumed in January 1938.

Other business volume indicators that were higher in February 1939 than in February 1938 were total sales at 418 country lumber yards, wholesales of electrical goods, hardware, paper & tobacco, net telephone installations in the Twin City area, carloadings of coal, coke & ore, flour production, shipments of flour & linseed products from Minneapolis, lumber shipments and the output of gold. Decreases from last year were recorded in sales of new passenger cars and trucks in North Dakota, wholesales of automotive supplies, groceries, lumber & building materials, carloadings of forest products, lumber cut, and the output of copper and silver.

BANKING

Country member bank deposits showed little change between the latter half of January and the latter half of February, the small decrease in demand deposits being about offset by a slight gain in time deposits. Earning assets also increased slightly, necessitating small declines in balances with other banks and with us, decreasing excess reserves to the $14½ million level, the lowest since last October. Compared with the latter half of February 1938, deposits were $9 million and balances due from other banks $10 million larger; earning assets were up $4 million and balances with us down $5 million.

City member bank deposits increased moderately between the middle of February and the middle of March. Holdings of government securities were reduced sharply, almost eliminating the early February increase mentioned last month. As a result, balances due from other banks and reserve balances with us were increased by substantial amounts, raising excess reserves to nearly $24 million, the highest point since the middle of last September.

Bills discounted by this bank for member banks decreased further during the four week period ended March 15 but on that date were as large as a year earlier. **Current industrial advances** and **commitments to make industrial advances** both declined between mid-February and mid-March but were well above the middle of March 1938 levels. **Federal Reserve notes** in circulation increased slightly and **total member bank reserve balances** rose $13 million, offsetting a decrease of that amount in the United States Treasurer's general account.

AGRICULTURE

Farmers' cash income from the sale of farm products (excluding government payments) was somewhat smaller in February than in the preceding month or in February last year, partly because of smaller marketings and partly because of lower prices for most farm products except potatoes and livestock. Dairy product prices were nearly as high in February as in January and with a rather large increase in the volume marketed, dairy product income was 6 per cent larger in February than in January. Potatoes were the only other product to show a larger income in February than in January, the much larger marketings more than offsetting the small price decline.

The USDA estimate of cash income in January (including government payments and the proceeds from commodity credit loans on corn) was in almost the same volume as in December but was 10 per cent larger than in January last year. The estimates for Minnesota, South Dakota and the portion of Wisconsin in this district all showed increases but the estimates for Michigan, Montana and North Dakota all showed declines.

Agricultural product prices showed mixed trends in February. Livestock prices strengthened but grain prices declined. Egg prices recovered only slightly in February from the 19-year record low at the end of January, resulting in the lowest February average price since 1933. Poultry prices advanced slightly. The Minnesota farm price index rose one point to 70 in February. The index was 77 in February last year.

Prospective plantings of the 8 principal cash and feed crops in our four states in 1939, reported by the USDA Crop Reporting Board as of March 1, indicated a 4 million acre increase when compared with the acreage harvested last year, whereas the total acreage to be planted to the same crops in the rest of the United States showed no change.

The indicated spring wheat acreage in our four states was a little smaller than the 1938 harvested acreage, the reduction being about equal to the increase in the areas sown to winter wheat last fall. Indicated plantings of the 7 other crops, however, were all larger than 1938 harvested acreages. The smaller indicated plantings of wheat and corn by farmers in Minnesota were not completely offset by increases in the other 6 crops with the result that the total for that state was slightly below the 8 crop harvested acreage total in 1938, but the totals in Montana, North Dakota and South Dakota were all larger, ranging from a 5 per cent increase in Montana to 15 per cent in South Dakota.

Receipts of cattle and calves at South St. Paul declined during February and were smaller than in February 1938 despite somewhat larger Canadian receipts. Unfavorable weather coupled with an uncertain demand because of the approaching Lenten season was largely responsible for the reduced receipts. Belated early marketings of good quality fed steers arrived during the month and commanded prices ranging from $9 to $11. *The Beef Cattle Situation* states: "Marketings of grain fed cattle, including fed heifers as well as fed steers, probably will be larger this year than last but total cattle slaughter is expected to be smaller than a year earlier, reductions in cow and heifer slaughter more than offsetting any increase in steer slaughter. Al-

though total cattle slaughter is expected to be smaller this year than last, and may be further reduced next year, the trend in hog slaughter and in total meat supplies during the next two or three years probably will be upward."

Shipments of stocker and feeder cattle from South St. Paul declined seasonally during February but were one-third larger than a year earlier. A favorable ratio between feed prices and fat cattle values, together with good prospects for the approaching grazing season, fairly satisfactory results during the past six months from feeding operations and a continuing tendency to increase cattle holdings in most of our territory, accounted for the strong demand and firm prices that prevailed throughout the month.

During the first two weeks of March, shipments increased and demand remained good. The average cost of a feeder steer during the second week of March was $8.32, the highest in any week since the spring of 1930.

Receipts of sheep and lambs at South St. Paul declined seasonally during February and continued to be smaller than one year earlier for the 7th consecutive month but were larger than in any other February since 1933. Prices and demand for fat lambs have held about steady since the first of December, which is in marked contrast to the sharp decline during that period last year. *The Sheep and Lamb Situation* reports: "Marketings of fed lambs probably will continue smaller than a year earlier during the remainder of the current fed lamb marketing season, which ends April 30. Consumer demand for meats is not expected to change much from present levels in the next few months, but may improve somewhat further by summer."

Hog receipts at South St. Paul decreased during February but were the largest for the month since 1934. September-February hog receipts have been about one-fifth larger than during the same period one year earlier. The hog market was rather uneven during February. Slaughter buyers were continually trying to force down prices but a strong shipping demand, accompanied by spells of bad weather that curtailed receipts, brought support at crucial moments, resulting in a slight rise in prices for the month. *The Hog Situation* reports: "A large increase in the 1939 spring pig crop is in prospect, and if feed crop production this year is near average, market supplies of hogs in the 1939-40 marketing year (beginning October 1) will be materially larger than in the present year and may equal or exceed the 1929-33 average. This would represent a recovery in hog production to the level prevailing before the 1934 drouth."

Commercial hatchings of chicks in the west north central states during the first two months of 1939 were more than half again as large as during that period last year. According to *The Poultry and Egg Situation*, because of the favorable feed-egg ratio, commercial and farm hatchings of chicks in the United States for the entire 1939 season will probably be from 2-7 per cent larger than the 1938 hatch and may exceed every year since 1930. **Turkey** producers of the central states are likewise planning large increases in the number of turkeys to be raised this year.

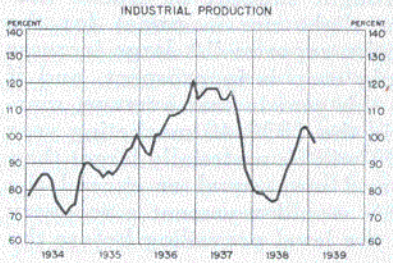
Cold storage supplies of all classes of meat during February recorded seasonal changes and continued to remain well below the March 1 average and smaller than a year ago. Stocks of beef were only half as large as the 5-year average, while holdings of pork and lamb & mutton were 15 per cent and 40 per cent, respectively, smaller than the average. Lard stocks declined nearly 7 million pounds during the month instead of registering the usual increase and in spite of the above average slaughter of hogs in February. Consequently, stocks of lard were again reduced to below normal after having been above average for only two months. Butter experienced a normal out-of-storage movement during February but holdings (including holdings of government agencies) were nearly five times as large as the 5-year average for March 1. Cold storage holdings of eggs again declined less than usual during February but remained a little below average. Poultry supplies declined seasonally and on March 1 were only slightly above the average for that date.

PROSPECTIVE PLANTINGS MARCH 1, 1939 WITH COMPARISONS

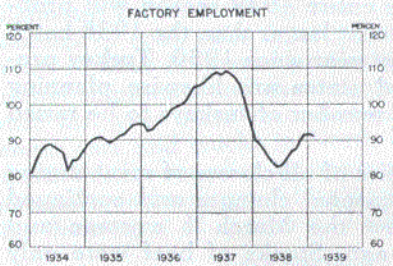
(000's omitted)

	March 1, 1939 Indicated Acreages					4 States 1938 Harvested Acreage*	% 1939 Indicated of 1938 Harvested	U. S. 1939 Indicated Acreage	U. S. 1938 Harvested Acreage	% U. S. 1939 Indicated of 1938 Harvested
	Minn.	Mont.	N. Dak.	S. Dak.	Four States					
Bread Wheat	1,584	3,180	6,628	2,331	13,723	14,086	97	15,960	16,965	94
Durum Wheat	90	0	2,879	576	3,545	3,545	100	3,545	3,545	100
All Spring	1,674	3,180	9,507	2,907	17,268	17,631	98	19,505	20,510	95
Winter Wheat	179	1,265	0	212	1,656	1,441	115	46,173	49,711	93
All Wheat	1,853	4,445	9,507	3,119	18,924	19,072	99	65,678	70,221	94
Rye	634	80	1,251	1,225	3,190	2,181	146	7,171	3,970	181
Corn	4,456	176	998	3,119	8,749	8,612	102	92,062	91,792	100
Oats	3,900	310	1,551	1,831	7,592	7,074	107	35,393	35,477	100
Barley	2,117	192	1,632	1,702	5,643	4,661	121	13,219	10,513	126
Flaxseed	916	180	574	125	1,795	838	214	2,023	954	212
Potatoes	243	19	157	34	453	407	111	3,076	3,007	102
Tame Hay	2,911	1,268	1,036	848	6,063	6,031	101	57,231	56,309	102
8 Crops	17,030	6,670	16,706	12,003	52,409	48,876	107	275,853	272,243	101
% 1939 Indicated Acreage of 1938 Harvested Acreage —8 Crops	99.7	105	111	115	107	101				

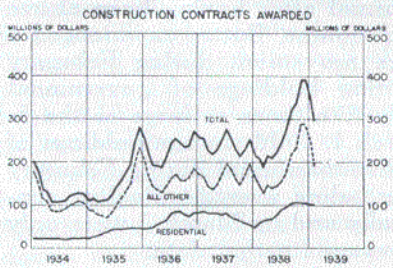
*Harvested acreages were materially lower than planted acreages in some states because of abandonment on account of grasshopper, drouth and rust damage.



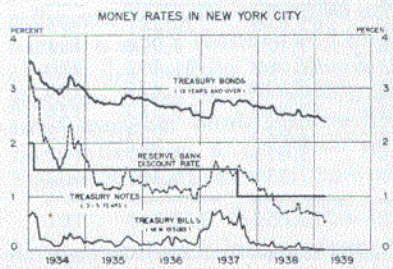
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to February 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to February 1939.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States adjusted for seasonal variation. Latest figures based on data for December, January and February.



For weeks ended January 6, 1934 to March 18, 1939.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 25, 1939

In February industrial activity continued at the January rate, without showing the usual rise, and retail trade increased less than seasonally. In the first three weeks of March, however, industrial activity and trade showed seasonal increases. Commodity prices continued to show little change.

PRODUCTION: Volume of industrial production was at about the same rate in February as in the two previous months, although usually there is an increase, and the Board's seasonally adjusted index declined further to 98 percent of the 1923-1925 average. In the steel industry activity did not show the usual seasonal advance. Pig iron production increased, but new orders for steel were in limited volume and ingot production remained at about 54 percent of capacity throughout the month. There was some decline in automobile assemblies, following a period of considerable increase. Output of lumber and plate glass continued to decrease in February, while cement production, which had been curtailed in January, increased considerably. In the first three weeks of March steel production increased to about 56 percent of capacity and automobile output was also in somewhat larger volume.

Textile production in February was at about the same rate as in January. At cotton and woolen mills activity increased somewhat but at silk mills there was a marked decline. Output of shoes and tobacco products continued at high levels. In the meat-packing industry activity declined further and there was also a decrease in activity at sugar refineries.

Bituminous coal production was maintained in February, and crude petroleum output likewise continued in substantial volume. Anthracite output declined in February, and in March was reduced further as mine owners and workers agreed on a curtailment program.

Value of construction contracts awarded declined in February, according to F. W. Dodge Corporation figures, owing principally to a further decrease in awards for publicly-financed work. Contracts for privately-financed residential building increased further, while awards for private nonresidential building remained at the low level of other recent months.

EMPLOYMENT: Factory employment and payrolls increased somewhat less than is usual between the middle of January and the middle of February. Changes in nonmanufacturing lines were largely of a seasonal nature.

DISTRIBUTION: Department store sales were in about the same volume in February as in January, although some increase is usual, and sales at variety stores increased less than seasonally, while mail order sales rose by slightly more than the seasonal amount. In the early part of March department store sales increased.

Freight carloadings declined somewhat from January to February, reflecting for the most part reduced shipments of grains, forest products, and miscellaneous freight.

COMMODITY PRICES: Wholesale commodity prices were generally maintained with little change during February and the first three weeks of March. As is usual at this season prices of livestock and meats increased while dairy products declined. Silk prices advanced considerably in this period. In the early part of March current prices of pig iron and of semi-finished and finished steel were reaffirmed for the second quarter of this year.

BANK CREDIT: Investments in United States Government obligations by New York city banks increased considerably in February and the first half of March. In this period member banks reduced their holding of Treasury notes and increased their bonds, reflecting in part exchanges of notes for new bond issues on March 15. Excess reserves of member banks continued somewhat below the high level of $3,600,000,000 reached at the end of January, fluctuating largely in accordance with changes in Treasury balances at the Federal Reserve Banks.

MONEY RATES AND BOND YIELDS: Average yields on United States Government securities declined to new record low levels from February 27 to March 10, following the announcement by the Treasury that no cash would be raised in the March financing. Yields rose slightly after the middle of March accompanying renewed tension in Europe. New issues of 91-day Treasury bills continued to sell on practically a no-yield basis during March. Other open market rates continued unchanged.