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

Vol. 7 (Serial No. 294) Federal Reserve Bank, Minneapolis, Minn. June 28, 1939

**Business volume levels in May exceeded those of the two preceding months and of May 1938. City member bank reserves reached new high-record levels. Farm income was up 14 percent while farm product prices showed mixed trends.**

## BUSINESS

**The volume of business** in May in our district, measured by our seasonally adjusted indexes was well above the level of May last year and was a little larger than in April. All of our indexes were higher than in May 1938 and were higher than in April with the exception of those reflecting trade at city department stores. Our 94 city bank debits index was the highest for May since May 1937 and with the exception of that month was the highest for May since 1931. Both the country lumber sales and the rural department store sales indexes reflected an unusually large volume of trade in those lines, the lumber index being the highest for May since 1929.

### Northwestern Business Indexes

(1929-1931 = 100)

| | May 1939 | April 1939 | May 1938 | May 1937 |
|---|---|---|---|---|
| Bank debits—94 cities | 92 | 90 | 88 | 97 |
| Bank debits—farming centers | 92 | 91 | 86 | 94 |
| Country check clearings | 153 | 147 | 140 | 156 |
| City department store sales | 94 | 95 | 85 | 94 |
| City department store stocks | 81 | 73 | 80 | 85 |
| Rural department store sales | 105 | 97 | 93 | 106 |
| Country lumber sales | 113 | 109 | 88 | 95 |
| Miscellaneous carloadings | 83 | 81 | 71 | 99 |
| Total carloadings (excl. miscellaneous) | 71 | 66 | 55 | 105 |

**Building contracts awarded** in May as reported by the F. W. Dodge Corporation were one-sixth smaller than the unusually large volume in April but were more than 10 percent larger than in May last year. Residential contracts again accounted for a large percentage of the building total but all classes showed increases over a year ago with the exception of public, religious and social buildings. Contracts for public works increased sharply in May, following the slump in April, and were more than half again as large as in May 1938. Public utility contracts decreased a little from the April volume but were only 20 percent smaller than in May a year ago. The total volume for all classes of construction in May was about the same as in April and about one-fifth larger than in May last year.

**Building permits** issued in 55 cities were more than twice as large as in May last year the result of a very substantial gain in the volume of new construction and a smaller increase in repairs and alterations. The average size of new building permits in May was 60 percent larger than in the same month last year. Unusually large volumes of building were reported by Austin, Bemidji, Hibbing & Rochester, Minnesota; Fargo, North Dakota; Sioux Falls, South Dakota and Superior, Wisconsin.

**Warranty deeds and mortgages recorded** in Hennepin and Ramsey counties in May were again higher than in the preceding month and larger than in May last year. **Mortgages accepted for FHA insurance** in April increased seasonally over March in both number and amount but were fewer in number and smaller in amount than in April last year. The total amount for the first four months, however, was one-sixth larger in 1939 than in 1938.

**Department store sales** in May were 12 percent larger than in May last year for the district as a whole. The increase at country stores, 13 percent, was a little larger than at city stores where the increase was only 11 percent. Country stores in every section of each state and part state in our district reported a larger volume than a year ago, the largest increases, 18 percent, being reported by the Red River Valley and South Central sections of Minnesota. **Collections** in May as reported by 45 stores were slightly larger than in April and were a little larger than a year ago. **Accounts and notes receivable** also increased and at the end of the month were the highest for that date in the last five years.

### Sales at Department Stores

| | No. of Stores | % May 1939 of May 1938 | Cumulative % 1939 of 1938 |
|---|---|---|---|
| Mpls., St. Paul, Duluth-Superior | 21 | 111 | 104 |
| Country Stores | 597 | 113 | 105 |
| Minnesota | 213 | 116 | 105 |
| Central Minnesota | 29 | 116 | 107 |
| Northeastern Minnesota | 18 | 114 | 104 |
| Red River Valley Minnesota | 11 | 118 | 104 |
| South Central Minnesota | 34 | 118 | 103 |
| Southeastern Minnesota | 17 | 111 | 104 |
| Southwestern Minnesota | 44 | 114 | 108 |
| Montana | 85 | 114 | 110 |
| Mountain | 12 | 108 | 103 |
| Plains | 35 | 117 | 114 |
| North Dakota | 115 | 113 | 101 |
| North Central North Dakota | 14 | 106 | 99 |
| Northwestern North Dakota | 12 | 108 | 99 |
| Red River Valley No. Dakota | 25 | 112 | 101 |
| Southeastern North Dakota | 25 | 109 | 100 |
| Southwestern North Dakota | 5 | 110 | 101 |
| Red River Valley—Minn., N. D. | 36 | 113 | 101 |
| South Dakota | 109 | 113 | 108 |
| Southeastern South Dakota | 19 | 108 | 104 |
| Other Eastern South Dakota | 52 | 110 | 108 |
| Western South Dakota | 10 | 103 | 104 |
| Wisconsin and Michigan | 75 | 106 | 101 |
| Northern Wis. and Mich. | 40 | 110 | 101 |
| West Central Wisconsin | 35 | 103 | 101 |
| Total District | 618 | 112 | 104 |

**Business failures** in May were larger in number than in the preceding month and in May last year. The volume of liabilities was sharply reduced from the relatively high volume in April and was only

about half as large as in May 1938. **Non-farm real estate foreclosures** in April were only two-thirds as numerous as in March and were somewhat fewer than in April a year ago.

**Electric power consumption** in the district was about as large in April as in March, the kwhr consumed in both of those months being materially increased over the consumption in the same two months last year. **The Minnesota employment index** rose in April to 99.4 from 97.8 in March, the increase being about twice as great as a year ago. **The number of employees** at copper, gold and silver mines in the district was about as large as one month earlier, but was 10 percent larger than at the end of May 1938. **Flour production and shipments** at Minneapolis declined during May to levels that were below the May 1938 volume but the rate of production at mills outside of Minneapolis was expanded sufficiently to result in an increase of 6 percent over the preceding month for the district as a whole. **Linseed product shipments** in May dropped far below the level of the preceding month but were well above the volume shipped in May a year ago. **The cut of lumber and lumber shipments** in May were both much larger than in April and far above the volume cut and shipped in May 1938. **Iron ore shipments** were more than three times as large as in May last year and the **output of gold** was a little larger but the **output of silver and copper** was much smaller than in the same month last year. The output of gold, silver and copper was somewhat less in May than in April.

**Other business volume indicators** that were higher in May than in the same month last year were total sales at country lumber yards, sales of new passenger cars in Minnesota & North Dakota, sales of trucks in Minnesota, net telephone installations in the Twin City area, wholesales of groceries, hardware, paper, tobacco & other miscellaneous lines, and carloadings of grain, livestock & coke. Sales of trucks in North Dakota were slightly smaller in May this year than in May 1938.

## BANKING

**Country member bank** deposits were practically unchanged between the latter half of April and the latter half of May but were $15 million larger than in the latter half of May last year. All asset items were also unchanged during May but earning assets and balances with other banks were each $7 million larger than one year earlier.

**City member bank** deposits rose sharply during May and the first half of June to $571 million, the largest deposit total on record with the exception of a short period late in November 1936 which culminated in the all-time high of $577 million on December 2 of that year. Inter-bank deposits were responsible for a large part of the increase but public and other demand deposits were also at high levels. Earning assets decreased a little during May and increased slightly during the first half of June resulting in some further increase in cash, due from banks and reserves which on June 14 were at the highest level on record, $250 million. Cash holdings and balances with other banks increased rapidly after the May 1 tax date and in early June were nearly as large as the peaks reached in 1936 and 1938. Balances with us also increased steadily throughout May and on June 7 reached a new all-time high, $93 million, resulting in a new high total of excess reserves, more than $36 million.

**Bills discounted** by this bank for member banks declined sharply and **current industrial loans** and **industrial loan commitments** decreased a little during the four-week period ended June 14 to levels that were far below those of one year earlier. **Federal Reserve notes** in circulation decreased moderately and total member bank reserves reached an all-time high record of more than $143 million on June 7 and were only very slightly lower on June 14.

## AGRICULTURE

**Farmers' cash income** from seven products (excluding government payments) increased materially in May from the seasonally low April level and was 6 per cent larger than in May last year. Dairy product income was a little lower than in April because of small reductions in both volume and price and potato income, as usual, shrank rapidly during May because of the end of the marketing season but incomes from grains and hogs were well above the level of the preceding month.

**The USDA estimate of cash income** (including government payments) in April showed the usual seasonal reduction for that month but the total for our district was slightly larger than in April last year. North Dakota and Michigan incomes were larger in April than in March but in all of the other states, incomes were smaller. Compared with April last year, Minnesota and South Dakota incomes were smaller this year but incomes were larger in Michigan, Montana, North Dakota and Wisconsin.

**Agricultural product price trends** were mixed in May. Headed by a 20 percent rise in the rye price, all of the grain prices were higher in May than in April with the exception of flax which was slightly lower but they were all lower than in May last year except oats which were 15 percent higher. Livestock prices, on the other hand, were mostly lower in May than in April and were mostly higher than in May 1938. The wool price rose two cents in May to twenty-one cents compared with eighteen cents in May last year but poultry product prices dropped to the lowest levels in about five years. The Minnesota farm price index rose another point to 68 in May compared with 74 in May last year.

**Crop prospects** on June 1 in our district were extremely spotted ranging from good in a few favored sections to poorest-on-record in others. The far-below-normal rainfall in April and May and the extremely high temperatures of late May and early June lowered the condition of both fall and spring sown grains and seared the grass on thousands of pasture acres. Winter wheat and rye failed to stool normally and headed out short with a resultant estimated decrease of one-third to one-half from last year's acre yields.

On June 1, the United States wheat crop forecast was less than 700 million bushels, the smallest since 1936, which was followed by wheat imports.

General rains and cooler weather beginning June 3 halted further deterioration and materially improved the outlook for much of the spring sown crops, especially those fields that were sown late. Early sown grains like the winter grains were damaged irreparably in some important producing sections such as the Red River Valley and West Central Minnesota.

Forced livestock marketings ceased almost instantaneously as pastures improved rapidly and after a second week of rain the condition of pasture and forage crops was so greatly improved that farmers reported that the supply was more than adequate for their present herds. The 1939 hay crop, however, will be far below average size judging by the outlook at the present time.

While the numerous cool and rainy days in the first three weeks of June have resulted in unusually heavy weed growths and have retarded the growth of corn, it has made possible the effective control of grasshoppers in hatching areas. With the additional funds recently made available by Congress, a well concerted final attack is being relentlessly waged against grasshoppers with the expectation that so few will reach the migratory stage that migrations will be little menace this year.

**Receipts of cattle and calves** at South Saint Paul which usually decline in May increased sharply during the month and were the largest May receipts since 1934. During the first five months of 1939, receipts were slightly larger than during the same period of 1938. According to *The Beef Cattle Situation* "total cattle slaughter may be expected to continue smaller than in 1938, although the number and proportion of well-finished cattle will be larger than a year earlier."

During the first half of June, cattle prices declined. Finished cattle prices suffered the largest losses and dropped to the lowest point in ten months. At mid-month, medium quality steers sold at steady prices but well-finished fed cattle prices were weaker.

**Shipments of stocker and feeder cattle** from South Saint Paul increased during May and were nearly two-thirds larger than during May 1938. During the first five months of 1939, shipments were more than half again as large as during the same period last year. During the first few days of June, the impending drouth coupled with a drop in butcher cattle prices brought about a decline in feeder & stocker prices. Drouth fears, however, were largely dissipated by the numerous rains and with the advent of more normal weather interest was again stimulated in replacement stock. At mid-month, much of the previous decline had been regained, and demand was steady and active.

**Hog receipts** at South Saint Paul increased sharply during May in spite of a usual decline from April, were half again as large as a year ago and were the largest for that month since 1934. During the first five months of 1939 receipts were 15 percent larger than during the same period last year. *The Hog Situation* states that the supplies of hogs for slaughter during the remainder of this marketing year, which ends next September, will continue to be larger than a year earlier and that, in view of the large 1939 spring pig crop and large prospective fall pig crop, slaughter supplies of hogs in the 1939-40 marketing year will be materially greater than in the current marketing season.

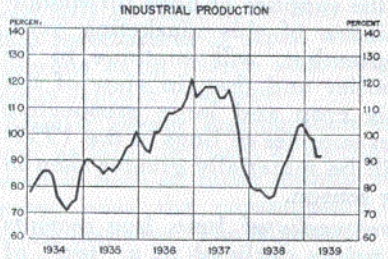
During the first two weeks of June, hog receipts continued large and prices declined to a "top" of $6.30, a new low since late in 1934.

**Receipts of sheep and lambs** at South Saint Paul declined seasonally during May but were 12 percent larger than in May last year. Sheep and lamb receipts during the first five months of 1939 were 6 percent less than during the same period a year ago. Dry weather and shortage of feed in the early lamb producing states greatly retarded the marketings of early lambs. *The Sheep and Lamb Situation* reports "The delay in marketings of early lambs probably will mean that fairly large numbers of such lambs will be marketed after June or July, when late lambs are usually being marketed in large volume."

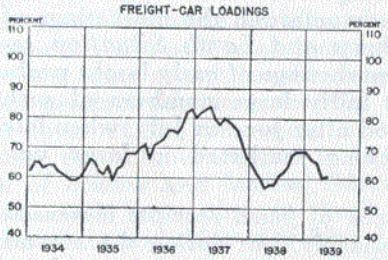
During the first week of June, receipts increased and prices declined sharply, but during the second week, reduced marketings resulted in a partial recovery and at mid-month, native spring lambs sold for $9.50-$9.75.

**Commercial hatchings of chicks** in the United States during May were larger than a year earlier for the eighth consecutive month. The increase over a year ago, however, was smaller than in the preceding month indicating that hatcheries were curtailing operations faster than in 1938, a reflection of the recent unfavorable changes in the relation between feed and egg prices. The number of chicks and young chickens in farm flocks on June 1 was about 5 percent larger than a year ago and was well above the 10-year average. Commercial hatchings of **turkey poults** in May continued at the high level of preceding months, more than half again as large as one year earlier.

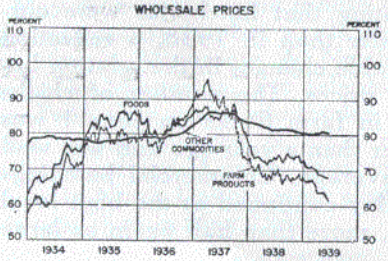
**Cold storage holdings** of butter (including holdings of governmental agencies) increased less than seasonally during May but nevertheless were nearly three times the 5-year average on June 1. Supplies of cream and cheese were about normal. The number of eggs in storage increased seasonally and were in about the usual amount but holdings of poultry declined less than usual and as a result were one-fourth larger than the 5-year average. Cold storage stocks of all classes of meat declined less than seasonally but nevertheless remained below the 5-year average. Beef supplies were less than two-thirds of average but were slightly larger than on June 1, 1938. Pork holdings were somewhat smaller than usual but larger than a year ago. Supplies of lamb & mutton were smaller than the June 1 average. Lard stocks increased during May, instead of declining as is customary, and on June 1 about equalled the 5-year average but were larger than one year earlier.



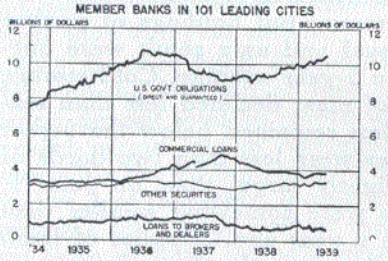

Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to May 1939.




Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to May 1939.




Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ended June 17, 1939.




Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to June 14, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.

# National Summary of Business Conditions

## COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM JUNE 22, 1939

**Industrial production, which had been receding on a seasonally adjusted basis during the first four months of this year, showed little change in May and increased considerably in the first three weeks of June. The advance reflected principally larger output of steel and coal, which had previously shown considerable declines.**

**PRODUCTION:** In May the Board's seasonally adjusted index of industrial production was at 92 percent of the 1923-1925 average, the same as in April. The volume of manufacturing production declined somewhat further, owing chiefly to reductions in output of steel and automobiles, but mineral production increased as most bituminous coal mines were reopened after the middle of the month. Steel ingot production, which had been at an average rate of 52 percent of capacity in April, declined to 45 percent in the third week of May. About this time prices of some types of steel were reduced considerably and orders were placed in substantial volume. Subsequently steel output increased and the current rate is about 55 percent of capacity, approximately the level maintained during the first quarter of this year. In the automobile industry output was reduced by about one-fifth at the beginning of May, and in the latter part of the month there was further curtailment partly as a result of a strike at a body plant which led to the closing of most assembly lines of one major producer. In the early part of June the strike was settled and by the middle of the month output had risen to a level higher than that prevailing during most of May. Lumber production increased further in May following less than the usual seasonal rise during the first quarter of this year.

Output of non-durable manufactures in the aggregate was at about the same rate in May as in April. At woolen mills activity increased sharply, following a decline in April, and at cotton and rayon mills output was maintained. Mill consumption of raw silk showed a further sharp decline. At meat-packing establishments output increased more than seasonally, and as in March and April, was considerably larger than a year ago, reflecting a sharp increase in the number of hogs slaughtered. Flour production continued in larger volume than is usual at this season, while at sugar refineries there was a decrease in output.

Mineral production increased in May owing chiefly to the reopening of most bituminous coal mines. Anthracite production, which had been in large volume in April, declined in May, while output of crude petroleum increased somewhat further.

The value of residential building contracts, which had shown a considerable decline in April, increased in May, according to figures of the F. W. Dodge Corporation. Public residential awards were higher owing to a greater volume of United States Housing Authority projects. Private awards also increased but on a seasonally adjusted basis were below the high level reached in February and March. Contracts for both public and private non-residential construction declined in May, following increases in the preceding two months.

**EMPLOYMENT:** Factory employment and payrolls showed little change from the middle of April to the middle of May, according to reports for a number of states.

**DISTRIBUTION:** Department store sales declined from April to May, while sales at variety stores and by mail order houses showed little change. In the first two weeks of June department store sales increased.

Freight carloadings increased in the latter half of May, reflecting chiefly expansion in coal shipments. In the first half of June loadings of coal increased further and shipments of other classes of freight also were in larger volume.

**COMMODITY PRICES:** Prices of industrial materials, such as steel scrap, hides, wool and print cloths, advanced somewhat from the middle of May to the third week of June. Wheat, silk and coal prices declined early in June, following increases in May, and there were further declines in prices of livestock and meats.

**BANK CREDIT:** During the four weeks ended June 14 total loans and investments at member banks in 101 leading cities increased by $270 million, following a decline of $200 million in the preceding four weeks. The major increase was in holdings of treasury notes and bonds at New York City banks. Demand deposits increased sharply to new high levels both in New York and in the leading cities outside New York. During the first three weeks of June excess reserves of member banks showed little change from the new high level of $4,300 million reached on May 24. Continued gold imports largely went into earmarked gold and into balances held for foreign account at the Federal Reserve banks.

**MONEY RATES:** Prices of United States government securities, which had advanced sharply from April 11 to June 5, reaching a new high level, eased slightly during the next two weeks. The yield on the longest-term treasury bond outstanding declined from 2.49 percent on April 11 to 2.26 percent on June 5 and increased to 2.32 percent on June 19. Other money rates showed little change.