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

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Business volume declined slightly during June but was at the highest June level in recent years. Member bank loans and deposits increased moderately during the quarter ended June 30. Farm income declined during June. Farm prices declined but were somewhat higher than in June 1939.

BUSINESS

The volume of business in this district declined slightly during June but as in the 8 preceding months was at the highest level for the month in recent years. The adjusted index of bank debits at 94 cities declined sharply from the high May level, due in large part to the practical completion of the marketing of Commodity Credit Corporation loan wheat. The bank debits at farming centers and country check clearings indexes also declined, but by relatively smaller amounts. Sales at city department stores declined more than seasonally from the high levels of April and May and sales at country department and general stores declined slightly, reducing the adjusted index from 104 in May to 103 in June. Country lumber sales also declined more than seasonally. All of the above mentioned indexes, however, were at the highest June level since 1929 or 1930. Both miscellaneous and other freight carloadings continued to increase during June and were at the highest level for the month since 1937. Employment in Minnesota during June increased for the fifth consecutive month and was the highest for June since 1937.

Northwestern Business Indexes

(1929-1931=100)

	June 1940	May 1940	June 1939	June 1938
Bank debits—94 cities	92	106	86	79
Bank debits—farming centers	97	99	89	84
Country check clearings	159	171	145	135
City department store sales	97	100	95	92
City department store stocks	84	84	82	79
Country department store sales	103	104	97	95
Country lumber sales	111	118	99	85
Miscellaneous carloadings	89	86	81	67
Total carloadings (excl. miscellaneous)	90	86	73	55
Employment—Minn. (1936=100)	109	106	105	96
Farm prices—Minn. (1924-26=100)	65	72	63	73

Total building and construction in this district as reported by the F. W. Dodge Corporation continued to increase during June and was 22% larger than a year ago. This was the largest building volume for June since 1931 with the exception of 1937 and was the first month this year that construction was larger than one year earlier. Residential building declined seasonally but continued to be about one-third larger than a year ago. Commercial and industrial building became more active and was the largest for the month since 1937. Public works construction contracts increased sharply to the highest level for June since 1932 and accounted in large part for the increase in total building and construction. **Building permits** issued in 73 cities and towns in this district during June were more numerous and total valuation was 27% larger than in June 1939. Cities reporting increases were well distributed throughout the district but Minnesota cities recorded the largest gains.

Warranty deeds and mortgages recorded in Hennepin and Ramsey Counties declined seasonally during June but continued to be the most numerous for the month for more than a decade.

Business failures in June were smaller both in number and in dollars of liabilities than in May and were the smallest for June since 1919. **Non-farm real estate foreclosures** declined during May and were substantially smaller than in any other May in recent years.

Sales at Department Stores

	No. of Stores	% June 1940 of June 1939	Cumulative % 1940 of 1939
Mpls., St. Paul, Duluth-Superior	21	102	104
Country Stores	419	106	108
Minnesota	144	106	108
Central Minnesota	28	111	110
Northeastern Minnesota	18	107	110
Red River Valley Minnesota	12	98	108
South Central Minnesota	28	102	104
Southeastern Minnesota	19	106	104
Southwestern Minnesota	39	106	110
Montana	46	107	110
Mountain	13	106	110
Plains	33	107	109
North Dakota	76	106	113
North Central North Dakota	14	103	107
Northwestern North Dakota	12	105	117
Red River Valley North Dakota	24	107	113
Southeastern North Dakota	21	109	111
Southwestern North Dakota	5	114	129
Red River Valley—Minn. & N. D.	36	104	112
South Dakota	86	103	104
Southeastern South Dakota	19	105	103
Other Eastern South Dakota	55	102	105
Western South Dakota	12	99	103
Wisconsin and Michigan	67	106	108
Northern Wisconsin & Michigan	31	107	111
West Central Wisconsin	36	106	107
Total District	440	104	106

Department store sales in this district during June continued to be larger than a year earlier. Sales at city stores were 2% larger while country stores recorded a gain of 6%. Sales increases were almost universal throughout the district with only two sections showing slight declines. During the first half of 1940, department store sales in the district were 6% larger than in the corresponding period of 1939.

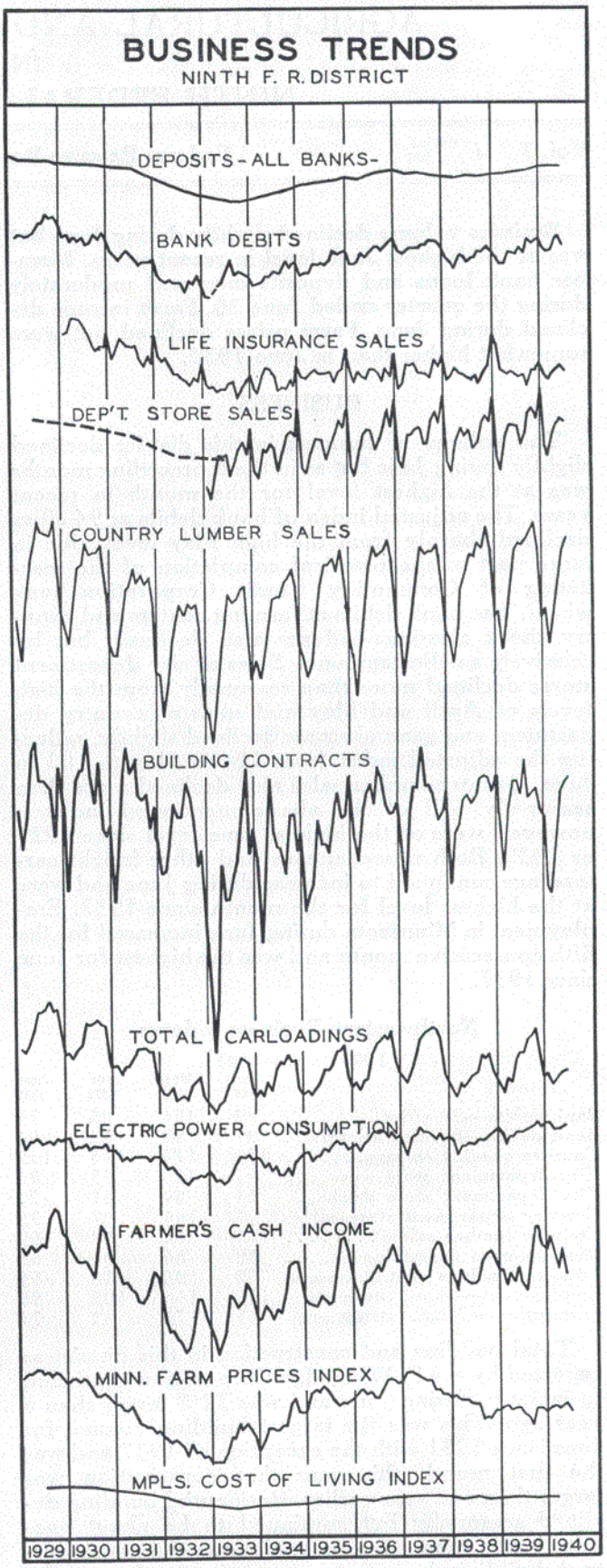
Country stores experienced an 8% gain compared to 4% for the city stores. Every retail trade section in our district had a larger volume of sales during the first six months of 1940 than during the first half of last year.

Retailers' collections on accounts and notes receivable at 43 stores were poorer than one year earlier. While actual collections were larger than a year ago, the percentage collected of receivables at the beginning of June was smaller than in the previous month or in June 1939. **Wholesalers' collections** improved during June and were better than one year earlier. The turnover of outstandings at the beginning of the month averaged more than one time monthly whereas in June 1939 it was slightly less than once.

City department store inventories declined seasonally during June and on June 30 were only 2% larger than on that date last year. **Country department store inventories** declined as usual during June and were 3% larger at the end of the month than one year earlier. **Wholesalers' inventories** on June 30 were smaller than one month earlier but were 3% larger than on June 30, 1939.

Iron mining activity increased again in June and was operating at a near-capacity rate. More than 9.5 million tons of iron ore were shipped from upper lake ports compared to 5.6 million in June 1939. In only one other June since 1929 has more than 9 million tons been shipped and that was 10.1 million in 1937 when stocks were unusually low and steel mill operations exceptionally high at the opening of the season. **Iron ore stocks** at Lake Erie docks and furnaces on July 1 were smaller than usual and **iron ore consumption** during June exceeded five million tons, the largest for June since 1929. **Copper production** declined slightly during June but was 60% larger than in June 1939 and was the largest for June since 1937.

The volume of manufacturing production in this district during June as indicated by the lines mentioned below declined slightly from the May level but was higher than a year earlier. Flour production declined more than usual during June and flour shipments dropped sharply whereas an increase in shipments usually takes place at this season. Shipments of linseed oil increased somewhat to the highest level for the month since 1929 but linseed oil cake shipments declined more than usual. Slaughterings of cattle and calves declined and were smaller than in 1939. Slaughterings of sheep declined seasonally but were larger than the unusually small June 1939 kill. Hog slaughterings increased whereas a decline is usual during June and were about 60% larger than a year ago. The cut of lumber declined in June but lumber shipments were unchanged from May. Lumber cut, however, was a little larger than in June 1939 whereas lumber shipments were slightly smaller. The Minnesota index of manufacturing employment advanced from 103 in May to 106 in June. The index was 102 for June 1939. Electric power utilized during May in Minnesota, North and South Dakota increased seasonally and was 8% larger than a year earlier.



Other business activity indicators that were as high or higher in June than a year earlier were carloadings of coal, coke and livestock; new automobile and life insurance sales in our four complete states; and wholesales of hardware, paper and tobacco products. Indicators that were lower than a year earlier were carloadings of grain and less-than-carload freight; net telephone installations in the Twin City area; and wholesales of groceries, automotive, plumbing and heating supplies.

BANKING

Deposits at all member banks advanced moderately during the second quarter of 1940 and on June 29 were $454 million, about 11% higher than one year earlier. **Loans** also increased slightly as a result of a continued advance at country banks which was only partially offset by the decline at city banks. Loans on June 29 were at the highest level since 1932 and were about $100 million larger than the post-1929 low reached during the first quarter of 1935. **Investment holdings** continued to decline both at country and city banks chiefly as the result of a further liquidation of United States government obligations. Government bond holdings as well as total investments on June 29 were at the lowest level since early in 1936.

Selected Items from June 29, 1940 and March 26, 1940 Called Reports, in Millions of Dollars

	City (weekly reporting) Banks			Country (non-weekly reporting) Banks		
	6-29 1940	3-26 1940	Change	6-29 1940	3-26 1940	Change
Earning Assets						
Total Loans & Discounts..	$189	$192	$— 3	$176	$171	$+ 5
U. S. Govt. Securities.....	164	171	— 7	120	123	— 3
Sec. of States, Counties, Municipalities, etc.	26	29	— 3	50	51	— 1
"All Other" Securities.....	18	16	+ 2	34	35	— 1
Total Earning Assets.....	$397	$408	$—11	$380	$380	$ 0
Deposits						
Ind., Part. & Corp. (dem.)	$264	$255	$+ 9	$190	$193	$— 3
Ind., Part. & Corp. (time)	117	119	— 2	241	240	+ 1
U. S. Government.....	2	2		3	3	
State, County, Mun., etc.	67	55	+12	55	52	+ 3
Due to Banks.....	159	166	— 7	19	19	
"All Other" Deposits.....	8	6	+ 2	5	5	
Total Deposits	$617	$603	$+14	$513	$512	$+ 1
Number of Banks.....	20	20		442	444	— 2

Country member bank deposits rose slightly between the latter half of May and the latter half of June to the highest level in recent years. Earning assets and reserves held at the Federal Reserve Bank were unchanged, the entire increase in deposits being redeposited with correspondent banks. Compared with the latter half of June 1939, deposits were $36 million larger, of which $8 million has been placed in earning assets, $8 million in reserves with us, and $20 million in balances with correspondent banks. Excess reserves continued to remain at a near record level.

City member bank deposits reached an all-time peak of $623 million on July 3, but receded by about $5 million during the following two weeks. **Loans to customers** recovered slightly during June after a sharp decline during May but remained unchanged during the first two weeks of July. About $4 million of **investments** were liquidated during June, reducing investments during the first half of July to the lowest level in more than a year. **Total cash and due from banks** increased $20 million during June to $276 million on July 3 but declined somewhat during the first half of July. **Excess reserves** continued the irregular decline started in May and on July 17 amounted to $35 million.

Short-term commercial paper rates were unchanged during June but the volume of paper outstanding declined sharply from the large May 31 volume. On June 30, the amount of paper outstanding was the largest for that date since 1935.

AGRICULTURE

Farmers' cash income in June as computed from terminal receipts and prices of seven products (excluding government payments) declined during June and was somewhat smaller than one year earlier. Income from hogs, dairy products, potatoes and flax was substantially larger than in June 1939 but income from wheat and rye was much smaller. The maturity of Commodity Credit Corporation loans on wheat and rye was one month earlier this year than in 1939 with the result that the marketing of the previous year's production of these grains was practically completed by June whereas the volume was very large in June 1939.

The USDA estimate of cash income in May in our four states from farm marketings alone was 12% larger than in May 1939. Total farmers' cash income (including government payments), however, was 11% smaller than one year earlier. Total income in Minnesota and South Dakota was as large or larger than one year earlier, but North Dakota and Montana farmers had substantially smaller incomes.

Agricultural product prices were mostly lower in June than in May but were slightly higher than in June 1939. Grain prices suffered a sharp decline during June to a level only slightly above one year earlier. Hog, lamb and veal calf prices dropped rather sharply during June while cattle prices experienced only a small decline. Prices for all classes of cattle were as high or higher than in June 1939 but hog and sheep prices were lower. The price of butter was reduced about one cent a pound which was about three cents above a year ago. Egg prices declined about 10% and were slightly below June 1939. Chicken prices were lower than in May but were somewhat higher than a year ago. The Minnesota farm price index declined seven points during June to 65% of the 1924-26 average. The June 1939 index figure was 63.

USDA July 1 indicated production estimates for crops in the four complete states in this district were about the same as the 1939 production and were substantially larger than the 1929-38 averages. Numerous recent reports from the Dakotas and Montana stated that crop deterioration since July 1 had been widespread and sharp in several important producing territories in those states, and unless heavy rainfall was received immediately, harvested production could not be expected to be as large as was indicated on July 1.

USDA July 1 Crop Forecast for Minnesota, North Dakota, South Dakota and Montana with Comparisons

(Thousand Bushels)	1940 Indicated	1939 Harvested	1929-38 Average
Bread Spring Wheat	127,161	122,430	101,418
Durum Wheat	34,954	34,360	29,610
Winter Wheat	24,165	25,412	14,297
Rye	18,828	19,628	19,306
Flax	21,819	16,143	9,936
Barley	114,234	120,147	95,977
Oats	235,264	238,880	206,390
Corn	225,802	270,407	204,360
Potatoes	37,935	38,270	37,045
Tame Hay (in tons)	8,395	8,486	7,216
(Thousand Acres Harvested)			
Bread Spring Wheat	12,050	10,984	11,336
Durum Wheat	3,330	3,066	3,035
Winter Wheat	1,446	1,339	961
Rye	1,476	1,924	1,583
Flax	2,616	1,921	1,755
Barley	5,621	5,452	5,264
Oats	7,940	7,359	7,600
Corn	8,290	8,344	9,872
Potatoes	475	451	511
Tame Hay	6,159	6,185	6,379

Receipts of cattle and calves at South St. Paul declined during June but were slightly larger than in June 1939. During the first half of 1940, cattle receipts were in about the same volume as during that period of 1939 but calf receipts were 9% smaller. During this period, only 63 thousand Canadian cattle were received compared to 97 thousand during the first half of last year. Slaughterings of cattle and calves were smaller than in June 1939. During the first six months of 1940, cattle slaughterings were 5% and calf slaughterings 24% smaller than during that period of 1939. The fact that in spite of larger cattle numbers on January 1, 1940, receipts have been smaller than a year ago and slaughterings relatively smaller than receipts is a good indication that farmers in our territory are continuing to increase the size of their herds. *The Livestock Situation* reported: "In 1938 and 1939 cattle numbers increased and cattle and calf slaughter was reduced. Present indications are that cattle numbers will continue to increase during the next few years."

Even though slaughterings were somewhat smaller than a year ago, it would appear that farmers' cash income from beef cattle herds in this district was about as large in June as one year earlier since cattle prices were somewhat higher than in June 1939.

Shipments of stocker and feeder cattle and calves from South St. Paul during June were larger than in May but somewhat smaller than the large shipments during June 1939. Shipments during the first six months of 1940 were smaller than the unusually large volume during that period of 1939 but were substantially larger than during the first half of 1937 and 1938. *The Livestock Situation* stated: "A strong demand for breeding stock has been reported in this area this spring and if western range conditions continue favorable in the next few years, the number of cattle in the Great Plains area may increase considerably."

Hog receipts at South St. Paul continued at the May level during June, were 37% larger than in June 1939 and were the largest in any June since 1927. During the first half of 1940, hog receipts were more than half again as large as during that period of 1939. *The Livestock Situation* reported: "Business and industrial conditions which affect the domestic consumer demand for meats improved during May and early June. Some further improvement is in prospect for this summer and demand conditions probably will be substantially more favorable than in the summer of 1939."

The 1940 spring pig crop in the Ninth District was estimated to be 7.4 million head compared to 7.5 million in 1939, 5.9 in 1938 and 4.9 in 1937. The spring pig crop in the entire United States was estimated to be 48 million head, 8% smaller than the 1939 spring crop and a substantially larger decline than was experienced by this district. The number of sows to farrow in the fall season of 1940 is indicated as 12% below a year ago for the entire United States compared to a 4% decline for our territory.

Receipts of sheep and lambs at South St. Paul increased seasonally during June and were nearly one-quarter larger than a year earlier. The increase over one year earlier can be largely accounted for by the late development of the 1939 Washington lamb crop and consequently spring lamb marketings in large volume did not start until July last year. Receipts during the first six months of 1940 were 9% larger than during the corresponding period of 1939. *The Livestock Situation* reported: "It now appears likely that the total 1940 lamb crop for the Western and Native States combined may be about the same as or a little larger than the 1939 crop."

Commercial hatchings of chicks in the United States during June were 11% larger than one year earlier. This was the first increase this year, reflecting the improvement in broiler prices in relation to grain prices which started during the latter part of April. Minnesota recorded an increase of 38% over June 1939. Cumulative hatchings in the United States for the first six months of 1940, however, were 12% smaller than during the corresponding period of 1939. The six month cumulative production of **turkey poults** was 19% below that period last year.

Cold storage holdings of butter increased seasonally during June but on July 1 continued to be at a lower-than-usual level at that season. Egg and poultry stocks increased more than usual during June and were larger than the five year median for July 1. Storage supplies of all classes of meat were above normal on July 1 with beef, pork and lamb & mutton being 12%, 34% and 64% respectively above the five year median. Lard stocks increased further during June and were substantially more than double the July 1 five year median. Cold storage stocks of all of these items with the exception of butter were larger than on July 1, 1939.