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

Vol. 7 (Serial No. 314) Federal Reserve Bank, Minneapolis, Minn. February 28, 1941

INDUSTRIAL COORDINATION DEPARTMENT

The general function of this Department is to serve as a local center for information regarding the Defense Program. Businessmen and bankers can obtain at this bank, essentially the same information as in Washington, and often more promptly. Typical duties of the Department are:

1. To furnish interested manufacturers and suppliers with information on how and where to apply for Defense Contracts.
2. To furnish governmental purchasing bureaus and officers, and interested primary contractors with information on unused production facilities in this District.
3. To provide information regarding procedures in accepting Assignments of Claims arising from Government Contracts.
4. To assist businessmen and bankers, upon request, in arranging the financing of government contracts and subcontracts for both supplies and additional emergency facilities.

Every Ninth District manufacturer is urged to register his production facilities with us. This can be done by completing a form "Defense Production Facilities.' Forms may be obtained from us, through local banks, Chambers of Commerce, or any other cooperating organization.

Opportunities for subcontracts are now being received more frequently from primary contractors in the Ninth Federal Reserve District and in other Federal Reserve Districts. The initial plant by plant information demanded by the primary contractors is obtainable from the completed registration forms. To gain consideration for the subcontracts that are to be awarded, manufacturers must have a detailed statement of their facilities on file with us.

Business advanced to the highest January level since 1929 or 1930. Bank loans in the Ninth District were the largest in 8 years on December 31. Farmers' cash income in January was the largest for the month since 1929 and agricultural product prices rose sharply.

BUSINESS

January business volume in this district, aside from seasonal changes, resumed the up-swing started in July 1940, after declining slightly in December, and was the largest for the month since 1929 or 1930. The 94 cities bank debits index advanced one point to the relatively high November level and was the highest for the month of January since 1930. The index of bank debits at farming centers advanced four points to the highest level for any month since February 1930 with the single exception of November 1940 when it was one point higher. The sales indexes at both city and country department stores advanced several points from December to the highest January level since 1929. Country lumber sales also increased more than seasonally. The index of miscellaneous freight carloadings remained at the high December level and was higher than in any other month since November 1929. Total freight carloadings excluding miscellaneous freight failed to increase seasonally, chiefly because of reduced shipments of livestock and coal, and were somewhat smaller than in January 1940. Employment as indicated by the Minnesota employment index declined seasonally but was at the highest January level in our eight-year records.

Northwestern Business Indexes
(1935-39 = 100)

	Jan. 1941	Dec. 1940	Jan. 1940	Jan. 1939
Bank debits—94 cities	116	115	115	107
Bank debits—farming centers	125	121	117	108
Country check clearings	125	120	118	107
City department store sales	115	111	111	103
City department store stocks	114	112	111	102
Country department store sales	123	116	123	109
Country lumber sales	136	110	137	126
Miscellaneous carloadings	133	133	115	103
Total carloadings (Excl. miscellaneous)	95	100	98	88
Employment—Minn. (1936 = 100)	107	115	101	95
Farm Price—Minn. (1924-26 = 100)	78	68	69	69

Building and construction contracts awarded in this district in January as reported by the F. W. Dodge Corporation declined much less than usual from the December level, were nearly double the

volume of one year earlier and were larger than in any January since 1929 with the exception of 1939 when unusually large public works and educational building awards were made. Residential building contracts increased during January even though they usually decline from the December level and were in the largest January volume since 1920. Industrial and commercial building awards also advanced from December and were more than four times the volume of January 1940. Industrial building was smaller than in both January 1939 and 1936, but commercial awards were the largest for January since 1929. Contracts awarded for public works and educational buildings were also larger than one year earlier, but awards for hospitals, public buildings, religious and memorial structures and public utilities were smaller than a year ago. **Building permits** issued in eighty-five cities and towns in this district in January were 87 per cent larger than during January 1940. Permits issued in reporting cities in Minnesota, Montana, North Dakota and northern Wisconsin were substantially larger than a year ago, but northern Michigan and South Dakota cities reported declines.

Sales at Department Stores

	Number of Stores Showing Increase	Decrease	% Jan. 1941 of Jan. 1940
Total District	124	139	103
Mpls., St. Paul, Dul.-Sup.	16	7	105
Country Stores	108	132	100
Minnesota	29	44	97
Central. Minn.	3	6	98
Northeastern Minn.	3	4	97
Red River Valley Minn.	3	3	101
South Central Minn.	7	15	96
Southeastern Minn.	7	6	101
Southwestern Minn.	6	17	93
Montana	28	15	107
Mountains	7	6	104
Plains	21	9	109
North Dakota	10	37	87
North Central No. Dak.	1	7	85
Northwestern No. Dak.	0	4	83
Red River Valley No. Dak.	3	16	85
Southeastern No. Dak.	5	10	96
Red River Valley—Minnesota and North Dakota	6	19	87
South Dakota	20	12	106
Southeastern So. Dak.	7	3	110
Other Eastern So. Dak.	9	8	102
Western So. Dak.	4	1	95
Wisconsin & Michigan	21	24	101
Northern Wisc. & Mich.	10	8	106
West Central Wis.	11	16	99

Department store sales in this district in January were somewhat larger than in the same month one year earlier. City department stores reported a gain of 5% over a year ago and the largest January sales volume since 1929. Country store sales, however, were in about the same volume as in January 1940 but were larger than in any other January since 1929. Country stores in Minnesota and North Dakota had smaller sales than a year ago, but stores in Montana, South Dakota and northern Wisconsin and Michigan reported a larger sales volume.

City department store inventories declined moderately in January but were 3% larger on January 31 than one year earlier and were the largest for that date since 1931. **Country department store inventories** also declined slightly during January but were 5% larger than one year earlier.

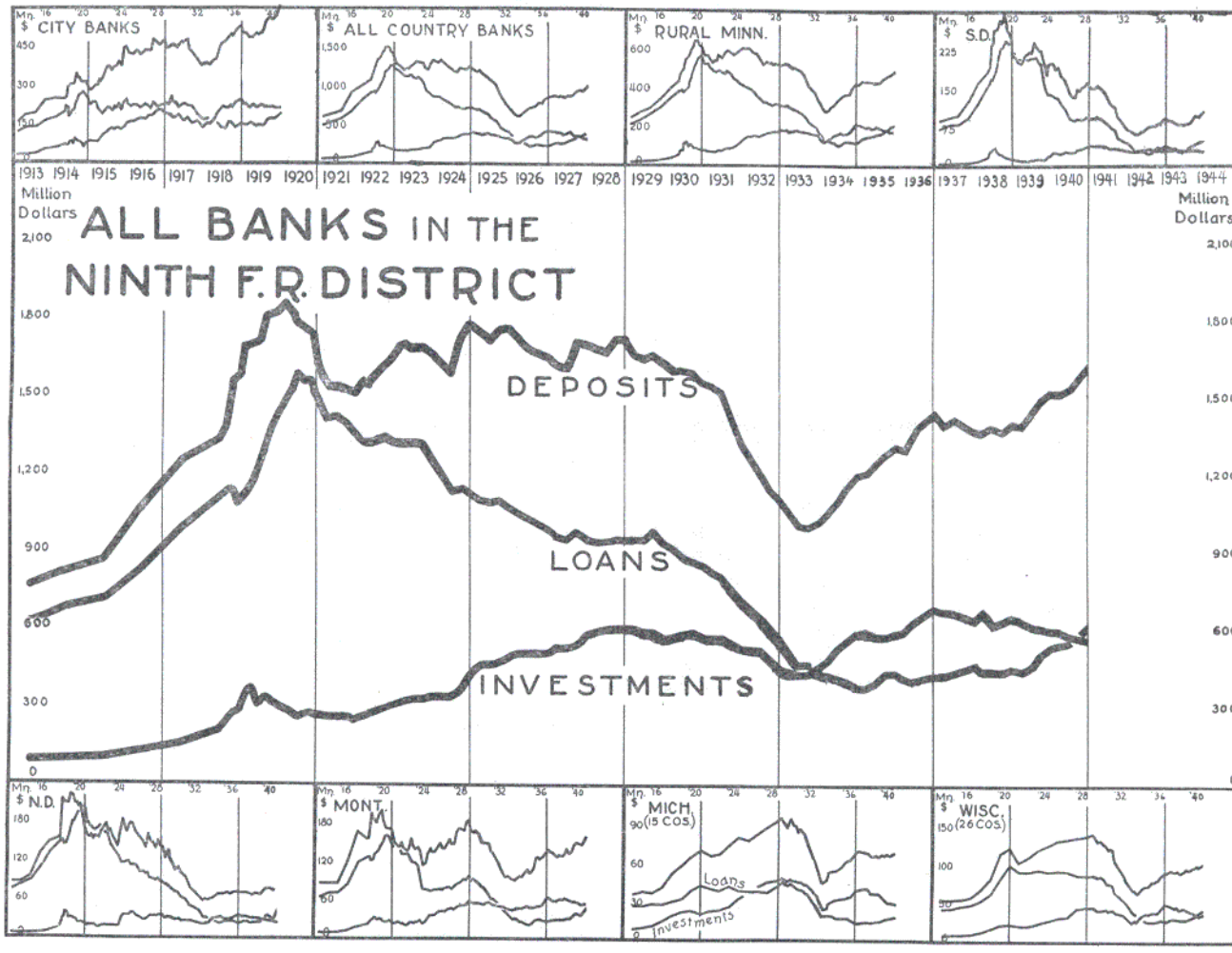
The volume of manufacturing production in this district, as measured by the following indicators, declined seasonally during January but was larger than in the same month in any other recent year. Electric power production declined seasonally during January but was 8% larger than one year earlier and was the largest January production on record. The index of Minnesota manufacturing employment also declined seasonally, was 9% larger than in January 1940 and was substantially larger than in any other January of our eight-year records. Flour production in the Northwest increased seasonally but was slightly smaller than one year earlier. Linseed oil shipments increased during the month, were 38% larger than in 1940 and were the largest January shipments since 1925. The cut of lumber was in about the same volume as one year earlier. Slaughterings of cattle and calves were slightly larger than in January 1940, but hog and sheep slaughterings were smaller.

Other business activity indicators that were as high or higher in January than a year earlier were mortgages accepted for F.H.A. insurance; new passenger and commercial car registrations; net telephone installations in the Twin City area; warranty deeds and mortgages recorded in Hennepin and Ramsey counties; wholesales of groceries and hardware and carloadings of coke, forest products and grain. Indicators that were lower than a year ago were carloadings of coal, ore and livestock; life insurance sales and the production of copper.

BANKING

Deposits at all banks in the district rose $103 million during the last half of 1940 to $1,629 million, the highest level since 1929. Loans continued the advance started in the spring of 1939, the end of the year figure, $609 million, exceeding total investment holdings for the first time since 1933. Investments continued the gradual decline started in the first quarter of 1937, and on December 31 were only $565 million. Country banks in each state and part state in the district reported an increase in loan volume with North Dakota and Montana recording the largest gains chiefly because of the large volume of Commodity Credit Corporation wheat loans in those states. City banks also reported an increased loan demand. About two-thirds of the $23 million increase in city bank loans was in the commercial, industrial, and agricultural loan classification. One-third of the increase was classified as "Other loans" which are primarily installment or other consumer loans.

Country member bank deposits declined moderately between the latter half of December and the



latter half of January in this district. Deposits in Minnesota and northern Wisconsin and Michigan banks increased slightly, but banks in Montana, North Dakota and South Dakota experienced declines. Earning assets declined seasonally. Balances at correspondent banks and with us increased during the month to the highest level on record for the end of January. Compared with the same period in previous years, deposits were at the highest level since 1931 and earning assets were the largest since 1932.

City member bank deposits as well as loans declined seasonally during January. Investments also declined slightly during the month but rose sharply during the first part of February as banks acquired supplies of Treasury bills. Reserve balances increased as is usual during January reflecting the return of currency from circulation after the holiday period, and correspondent balances increased slightly. Both declined sharply during early February, however, as the banks drew down their balances to purchase Treasury bills. Compared with corresponding dates in previous years, deposits at the end of January were at an all time high, loans were the largest since 1932 but investments were the lowest since 1934.

The reserve position of Ninth District member banks is shown in the table below:

	Member Bank Reserve Deposits*	Required Reserves*	Excess Reserves*
Country Banks	$ 61,719,000	$ 34,366,000	$ 27,353,000
City Banks	121,159,000	69,667,000	51,492,000
Total Ninth District (1941)	$182,878,000	$104,033,000	$ 78,845,000
Total Ninth District (1940)	151,816,000	94,631,000	57,185,000

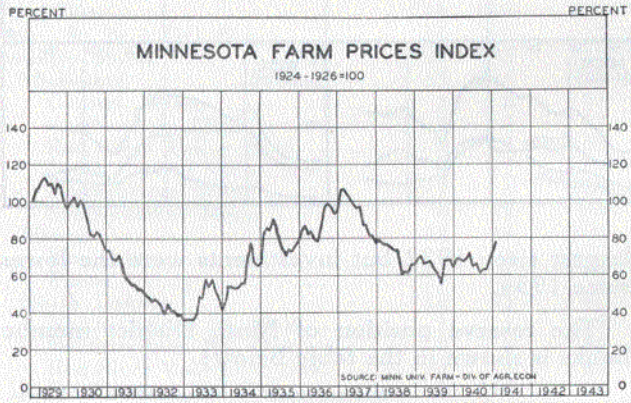
*Daily average for last half of January.

AGRICULTURE

Farmers' cash income in this district from seven important products, based on terminal receipts and prices, increased seasonally in January to the highest January level since 1931. Income from dairy products totaled nearly $15 million, the largest for the month since 1930. Even though hog receipts declined sharply, hog income increased somewhat due to the sharp advances in hog prices and approached $14 million, the largest January hog income since 1931. Incomes from the grains and potatoes increased slightly but were somewhat smaller than one year earlier.

The USDA estimate of farmers' cash income (including government payments) for this district in December declined seasonally from the November level but was the largest income for that month since 1929. December income totaled $80 million compared with $75 million a year earlier, and each state and part state contributed to the gain with the exception of North Dakota, where a sharp reduction in government payments accounted for most of the decline. During the entire year of 1940 farmers' cash income totaled $926 million, about $126 million more than in 1939, and was substantially larger than in any other year since 1929.

Agricultural product prices at terminal markets in this district advanced during January and in general were at the highest level for any month since January 1938. Hog prices advanced nearly $2 to an average of $7.75, the highest monthly average since September 1938. Butcher cattle prices in general were little changed from the relatively high December level, but stocker and feeder steer prices rose sharply to an average of $8.70. Lamb prices advanced to $10.10 and ewe prices rose to $5.50, compared with $3.50 in January 1940. Wool and poultry prices also increased but butter, milk and eggs declined somewhat. Prices of all classes of grain and potatoes advanced moderately but were substantially lower than one year earlier.



Receipts of cattle and calves at South St. Paul in January declined less than usual from the December level and were slightly larger than in January 1940. *The Livestock Situation* recently stated, "Important points in the outlook for cattle are : (1) an 11% increase in the number of cattle on feed January 1, 1941, over a year earlier; (2) an increase in marketings of feed cattle next spring and summer over a year earlier; (3) prospects for higher cattle prices in 1941 than in 1940, particularly in the first half of the year."

Hog receipts at South St. Paul declined more than usual during January and were one-fourth smaller than the unusually large January 1940 receipts. During the first four months of the current marketing season, the number of hogs marketed was a larger-than-usual proportion of the number of hogs on farms, so a decline was to be expected. *The Livestock Situation* reported, "The outlook for hogs in 1941, summarized briefly, is for: (1) materially smaller hog marketings, (2) considerable improvement in the domestic demand for pork and lard, (3) higher prices for hogs than in 1940."

Receipts of sheep and lambs at South St. Paul declined seasonally during January and were somewhat smaller than one year earlier. On January 1, about 964 thousand head of sheep were on feed in our four states. This is 114 thousand head more than on that date last year and by far the largest number in our six-year records. *The Livestock Situation* stated, "The chief factors in the outlook for sheep and lambs include: (1) prospects for a moderate increase in market supplies for the next several months compared with a year earlier, (2) better consumer demand for meats this year than last, and (3) higher prices for lambs in the early months of 1941 than in early 1940." According to *The Wool Situation*, "Since last spring wool prices have advanced materially, and a maintenance of the current level of prices would mean higher average prices for the 1941 domestic clip than for the 1940 clip. Advances in wool prices from present levels are likely to be moderate, despite the prospects for a strong demand."

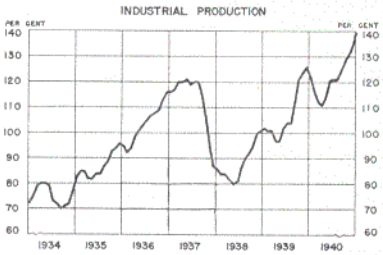
The USDA January 1 livestock inventory estimates for the four complete states in this district reflected the strong demand for stock and feeder sheep and cattle that existed throughout 1940. The number of all classes of cattle on farms January 1, 1941 was substantially larger than one year earlier. Beef cattle numbers increased sharply to 9% above the 1930-1939 average. Stock sheep and lamb numbers also increased to a level substantially above the average. The number of swine on farms declined, however, reflecting the smaller pig crop in 1940 than one year earlier as well as the unusually heavy fall hog marketings. Horses and colts continued the steady decline in number that started in the 1920's.

Livestock on Farms January 1
in Minnesota, Montana, North and South Dakota

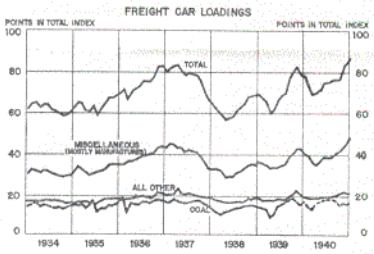
(thousands of head)

	1941	1940	1939	1930-39 Average
Dairy Cows and Heifers	3,045	2,961	2,885	3,070
Dairy Heifers (1-2 years)	675	641	613	635
Other Cattle (mostly beef)	4,362	3,960	3,621	4,016
Swine (including pigs)	5,082	5,631	4,166	5,080
Stock Sheep and Lambs	7,310	6,782	6,051	6,469
Horses and Colts	1,637	1,659	1,671	2,080

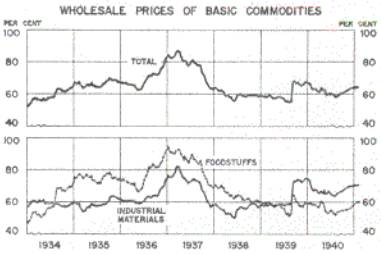
Cold storage holdings of each class of meat on February 1 were more than one-third larger than the five-year median. Beef holdings increased more than seasonally during January, but stocks of pork increased less than usual and lamb & mutton and poultry supplies declined more than seasonally. Stocks of lard increased less than seasonally, but nevertheless were more than double the five-year median. Storage supplies of butter, cheese and eggs declined less than usual.



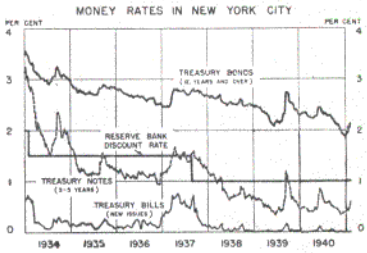
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to January 1941.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to January 1941.



Federal Reserve groupings of Bureau of Labor Statistics data. Thursday figures, January 4, 1934 to February 13, 1941.



For weeks ended January 6, 1934 to February 15, 1941.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEBRUARY 18, 1941

Industrial activity continued at a high level in January and distribution of commodities was maintained in large volume.

PRODUCTION: In January the volume of industrial production declined less than seasonally and the Board's adjusted index rose one point further to 139 per cent of the 1935-39 average. There were further considerable increases in activity in industries making machinery, aircraft, ships, and similar products important in the defense program, and output of industrial materials, such as steel and non-ferrous metals, continued at near capacity rates. Lumber production also was in unusually large volume owing to demand arising from construction under the defense program as well as from private building.

Automobile production, which ordinarily declines considerably at this time of year, was maintained at a high rate in January and the first half of February. This reflected in part an unusually large volume of retail sales and in part the industry's efforts to build up dealers' stocks of cars as much as possible with a view to having an adequate supply on hand in case priorities or work on defense orders should necessitate curtailment of automobile production. Currently dealers' stocks of new cars are probably near record levels.

In the cotton textile industry, activity in January showed some further increase from the record level reached in December but the rise was less than usually occurs at this season. At wool textile mills there was some decline from the high level of November and December, while output at rayon mills was maintained in large volume. Defense program orders for textiles, particularly wool and cotton products, have been substantial for some time, and these combined with considerable civilian demand have resulted in the accumulation of large order backlogs at most mills. Activity at meatpacking establishments was reduced in January owing chiefly to a sharp decline in hog slaughter, which had been exceptionally large in the latter part of 1940. Shoe production advance by less than the usual seasonal amount following a high rate of output in November and December.

At mines output of most metals continued at record levels in January. Production of fuels was sustained in large volume but was not at such high levels as output of other minerals owing in part to the existence of considerable stocks, particularly of petroleum products.

Value of construction contracts, as reported by the F. W. Dodge Corporation, declined in January. The decrease reflected chiefly a sharp reduction in awards for public construction from the exceptionally large December total, which had included a number of defense projects not previously reported by the Dodge Corporation for lack of detailed information. Contracts awarded for private non-residential building declined somewhat in January but as in December were twice as large as the amount awarded in the corresponding period a year ago. Awards for private residential building increased and on a seasonally adjusted basis were at the highest level since the middle of 1929.

DISTRIBUTION: Distribution of commodities to consumers in January was maintained at the high level reached in the latter part of 1940. Sales at department and variety stores declined seasonally following an unusually large amount of Christmas trade, while sales of automobiles continued near the rate prevailing in December. In the early part of February department store sales were sustained in large volume.

Total freight-car loadings, which usually decline from December to January, showed little change this year and the Board's seasonally adjusted index rose two points further to 86 per cent of the 1923-25 average.

WHOLESALE COMMODITY PRICES: Prices of industrial materials and foodstuffs generally showed little change from the middle of January to the middle of February. Some imported commodities, principally coffee, cocoa, rubber, and tin, rose slightly and there were increases also in prices of lard and wool tops, while declines were reported for livestock and meats, hides, grains, lumber, and scrap metals. Prices of some finished commodities, particularly textile products, showed advances in this period.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities increased substantially during January and the first half of February, reflecting largely purchases of new Defense Notes issued by the Government. Commercial loans at these banks increased further while loans to New York security brokers and dealers declined.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States Government securities continued to decline in the latter half of January and the first half of February, more than canceling the gains from the end of October to the peak on December 10. The 1960-65 bonds on February 14 were selling on a yied basis of 2.28 per cent, compared with a low of 2.03 per cent on December 10.