MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 321) **Federal Reserve Bank, Minneapolis, Minn.** **September 28, 1941**

Northwest business volume in August exceeded the high July levels. Member bank demand deposits rose to an all-time high. Farmers' cash income from hogs and dairy products was substantially above last year. Both city and country department store sales indexes established all-time highs. Residential building was 20 per cent above 1940.

BUSINESS

August business volume in the district showed further expansion during the month as was indicated by our seasonally adjusted indexes. The index of city department store sales advanced 14 points to 145, the highest point for any month in our 13-year records. The country department stores sales index also advanced sharply from July to the highest level on record. The index for August was 136 compared to 116 in August last year.

The indexes of bank debits at 94 cities and at farming centers both advanced over July. The bank debits index at farming centers was the highest in our records which date back to 1928. The index of Minnesota employment advanced 3 points to 128, a new high; the miscellaneous carloadings index advanced to 130, the highest August since 1929. The index of total carloadings excluding miscellaneous declined from last month because grain shipments failed to show the seasonal increase over July that occurred in past years. The country lumber sales index also declined from the unusually high point reached in July, but was above August last year.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Aug. 1941	July 1941	Aug. 1940	Aug. 1939
Bank debits—94 cities	131	125	103	98
Bank debits—farming centers	146	135	115	105
Country check clearings	146	139	165	103
City department store sales	145	131	125	111
City department store stocks	121	123	104	104
Country department store sales	136	124	122	106
Country lumber sales	173	176	126	110
Miscellaneous carloadings	130	126	104	98
Total carloadings (excl. miscellaneous)	132	141	121	101
Employment—Minn. (unadj. 1936=100)	128	125	109	109

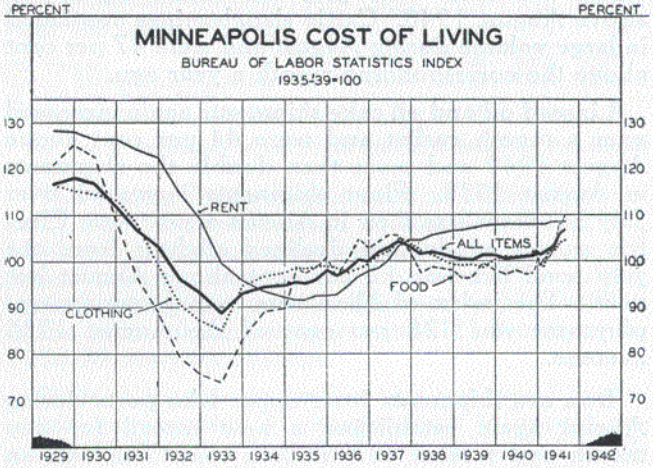
Construction contracts awarded in the district during August were below the high July levels but were 8 per cent above August last year according to the F. W. Dodge Corporation report. The decline from a month ago was due principally to a smaller volume of construction for public utilities, although non-residential building was also slightly below July.

Residential building in the district again increased over the preceding month and totaled $4.4 million compared to $4.0 million in July and $3.7 million in August 1940. For the first eight months of 1941, residential building in the district was 20 per cent above the corresponding period one year earlier.

Public works contracts awarded in this district during August totaled $4.8 million which was slightly above July and was 60 per cent above August 1940.

Building permits issued in 84 cities and suburbs during August were slightly below July but were greater than in August of 1940. Permits for the first eight months of 1941 were 11 per cent above the corresponding period last year. Increases were general over the entire Ninth District.

The Minneapolis cost of living index as computed by the Bureau of Labor Statistics has advanced from 100.9 on September 15, 1940 to 106.9 on August 15, 1941. The increase was due principally to higher food prices. The index of food prices, which is only part of total living costs, advanced from 97.1 to 110.0 during the same eleven-month period.



City department store sales during August were 17 per cent greater than in the same month a year ago and for the year to date sales were 10 per cent over the corresponding period in 1940. Stocks at city department stores increased slightly from July levels and were 16 per cent above August last year.

Sales at country stores were 12 per cent above August of 1940 with increases occurring in all sections of the district. Sales for the first eight months showed an 8 per cent increase over the same period a year ago.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% August 1941 of August 1940	Cumulative % 1941 of 1940
Total District	236	44	116	110
Mpls., St. Paul, Dul.-Sup.	21	2	117	110
Country Stores	215	42	116	108
Minnesota	67	14	114	108
Central	8	2	116	108
Northeastern	8	0	121	109
Red River Valley	5	1	114	109
South Central	19	3	114	107
Southeastern	11	2	112	108
Southwestern	16	6	108	107
Montana	33	10	114	106
Mountains	9	3	113	105
Plains	24	7	115	106
North Dakota	44	5	118	107
North Central	8	1	123	108
Northwestern	7	0	135	118
Red River Valley	15	4	110	101
Southeastern	13	0	117	109
Red River Valley-Minn. & N. Dak.	20	5	111	103
South Dakota	23	6	117	113
Southeastern	8	0	118	118
Other Eastern	9	5	118	111
Western	6	1	113	102
Northern Wisconsin & Michigan	48	7	116	110
Northern Wisconsin	14	3	110	108
West Central Wisconsin	25	3	120	112
Upper Peninsula Michigan	9	1	110	107

Manufacturing production in the district during August as measured by the following indicators showed mixed trends when compared to July, but were substantially above August last year.

Slaughterings of livestock at South St. Paul declined seasonally from July but were 16 per cent above August 1940. Cattle slaughterings continued in large volume during August and were 47 per cent above the corresponding month a year ago.

Linseed oil and oil cake shipments again increased over a month earlier and were 44 per cent above August 1940 and more than double the shipments in August 1939. Flour shipments increased over July but were less than in August a year ago. Electric power production declined slightly from the July level but was 12 per cent above August last year. The index of Minnesota manufacturing employment was 128 per cent of the August 1936 average.

Iron ore shipments from upper lake ports during August again established a new record for any month and totaled 11.5 million tons. This was an increase of 10 per cent over August 1940 and for the year to date shipments amounting to 51.7 million tons were 35 per cent greater than in the corresponding period of 1940. Consumption of iron ore increased over July and was larger than in any August on record. Stocks at lower lake docks and furnaces totaled approximately 37 million tons on August 31 compared to 33 million on that date last year.

Other business indicators for the district showing increases over August 1940 included net telephone installations in the Twin City area, life insurance sales and carloadings of coke, coal, ore and forest products. Grain and livestock shipments were below August a year ago. The number and amount of business failures in the district were equal to August 1940.

BANKING

City member bank loans to customers were increased $10 million during the four weeks ended September 10. Holdings of United States Government securities showed little change during the past month but were $28 million greater than a year ago. Total loans, discounts and investments amounted to $481 million on September 10 compared to $399 million September 11, 1940.

Demand deposits of city banks were increased $25 million during the four weeks ended September 10, to again establish an all-time high at $599 million. Demand deposits of individuals, partnerships and corporations accounted for most of the $79 million increase over a year ago.

Country member banks deposits during the last half of August averaged $9 million higher than a month earlier and were the highest in our five-year records. Total deposits of $563 million for the last half of August compared with $514 million a year ago. The greater volume of loans made by country member banks during the past year has increased their earning assets by about $35 million.

The reserve position of Ninth District member banks as indicated by the daily average of deposits and reserves for the last half of August was as follows:

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
	Thousands of Dollars		
Country Banks	$ 59,176	$ 35,851	$ 23,325
City Banks	107,647	76,759	30,888
Ninth District (1941)	$166,823	$112,610	$ 54,213
Ninth District (1940)	$162,326	$ 93,268	$ 69,058

AGRICULTURE

Farmers' cash income from marketings of hogs and dairy products declined seasonally from July but was well above the amounts received for these items in August 1940. Due principally to higher prices, the estimated farm cash income from hogs was 75 per cent above August last year while receipts from the sale of dairy products were 44 per cent greater than in the same month of 1940.

The Department of Agriculture estimates that "cash farm income in the United States from the sale of meat animals during the first half of 1941 was 31 per cent more than in the first half of 1940. This reflects the higher level of livestock prices this year than last and the materially larger marketings of cattle."

Higher wheat, rye, barley and flax prices have also materially increased farmers' cash income from grain marketings. The Commodity Credit Corporation reports that 1941 loans on approximately 25 million bushels of wheat in Montana, North and

South Dakota and Minnesota amounted to $24 million. These loans were made to farmers during the period August 1 to September 15. In addition, smaller amounts have been advanced on barley, rye and flax.

Agricultural product prices continued to advance during August and reached levels about equal to the high prices in the fall of 1937. The median hog price was $11.25 compared to $10.75 in July and $6.50 in August last year. The price of lamb also reached $11.25, the highest August price since 1929. Butter advanced one cent to 34 cents and milk was $2.15 per hundredweight, the highest price paid since the fall of 1930. All grains advanced in price from July levels and were 30 to 50 per cent higher than in August last year. Flax declined slightly from last month to $1.89 and compared to $1.50 a year ago.

Receipts of cattle at South St. Paul increased more than seasonally during August and were 9 per cent greater than in August last year. Calf receipts continued below a year ago, while sheep receipts were 24 per cent above August last year. Receipts of sheep for the first eight months of 1941 were 16 per cent greater than in the corresponding period of 1940. Hog receipts at South St. Paul for eight months were 17 per cent below the same period in 1940. The average weight of hogs marketed at South St. Paul in August was 281 pounds compared to 260 in August last year.

Shipments of feeder cattle and feeder calves from the South St. Paul market increased seasonally during August, but were below shipments in August 1940. Generally higher prices have prevailed in the feeder cattle market. The median feeder cattle price for August was $9.48 compared to $7.80 in August 1940. Feeder lamb prices have advanced from approximately $8.75 in August 1940 to a high of $11.90 in late August this year.

Cold storage holdings of all important perishable food commodities, except shell eggs, were considerably larger on September 1 than on the same day one year earlier. Butter in storage increased sharply and totaled 201 million pounds on September 1 compared to 134 million a year ago. Cheese in storage amounted to 185 million pounds which was 24 per cent above a year ago and 48 per cent above the five-year median holdings on September 1. The combined total of all meats was 35 per cent above the five-year median holdings for September 1, while lard holdings of 283 million pounds were almost two and one-half times the usual September 1 holdings.

Egg production in the district during August was again higher than in the corresponding month last year and for the first eight months was 7 per cent above the same period in 1940. Higher egg prices have narrowed the feed-egg ratio and on August 2 only 5.32 dozens of eggs were needed to purchase 100 pounds of feed compared to 7.78 dozen a year earlier. This has encouraged better feeding of poultry flocks which in turn has been largely responsible for the higher egg production.

The Department of Agriculture estimates that "turkey production in 1941 for the United States is expected to be 5 per cent larger than in 1940." Strong consumer demand reduced storage holdings of turkeys by 7 million pounds during August and on September 1 they totaled 13 million pounds, compared to 21 million a year ago.

Flax production for 1941 in the Ninth District was estimated at 22.5 million bushels compared to 23.6 million bushels in 1940. Although the 1941 crop was slightly less than a year ago it was more than double the 1930-39 average. With the exception of Michigan the increase in production has been quite general for all states and part states in the district. Since approximately 95 per cent of the crop is sold on the market, flax is becoming increasingly important as a cash crop in the Northwest.

Even though flax production has materially increased in the Ninth District, the increase has not been proportionate to increases in other sections of the United States. Each year since 1937 the per cent of the total United States flax production raised in this district has steadily decreased. For the 1930-39 ten-year average, 89 per cent was produced in the district, while only 73 and 76 per cent came from this area in 1941 and 1940 respectively.

Flax production in the Ninth Federal Reserve District and in the United States for 1941 with comparisons

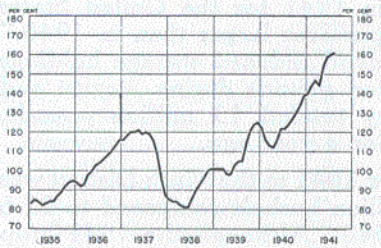
	1941	1940	1939	1938	1937	Average 1930-39
	Thousands of Bushels					
*Mich. (15 counties)	54	68	64	68	64	60
Minnesota	14,150	16,695	12,230	4,756	4,077	5,902
Montana	1,050	990	400	160	43	416
North Dakota	5,215	3,888	1,930	1,370	1,548	2,895
South Dakota	1,944	1,904	1,296	382	228	774
*Wisc. (26 counties)	71	97	47	17	17	24
9th District	22,484	23,642	15,967	6,753	5,977	10,071
United States	30,711	31,127	20,152	8,152	7,089	11,269
% of U. S. Prod. from 9th District	73	76	79	83	84	89

* Per cent of production in the Ninth District is based on 1940 census data.

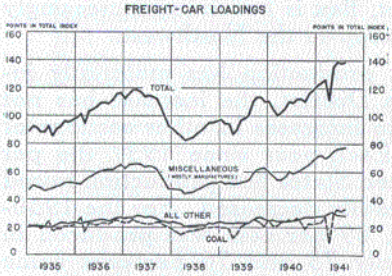
The United States Department of Agriculture reports that "domestic usage of flaxseed during the 1940-41 marketing year was the largest in 12 years." Disappearances amounted to 39.0 million bushels during that period compared to 31.7 million in the 1939-40 marketing year and 27.0 million the 1930-39 ten-year average.

Since domestic production was not equal to domestic consumption it was necessary to import annually 15.8 million bushels during the period 1930-39. Imports for the first 6 months of 1941 were 7.3 million bushels. Stocks on hand July 1, 1941 were estimated at 7.4 million bushels compared to 3.9 million one year earlier.

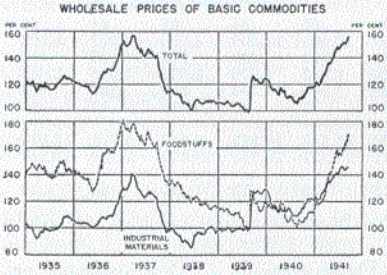
On August 19 of this year the Department of Agriculture announced a flaxseed loan program available to farmers who wished to store their flax on the farm. Loan rates on the farm are expected to average $1.70 per bushel on No. 1 flax. Only flaxseed grading No. 2 or better will be eligible for storage.



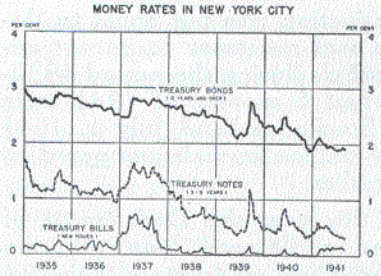
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to August 1941.



Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average=100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to August 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to September 1, 1941.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ended January 5, 1935 to September 13, 1941.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 19, 1941

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

PRODUCTION: In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies increased as production of new models was begun but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

DISTRIBUTION: Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

COMMODITY PRICES: Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

AGRICULTURE: The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about $10,700,000,000, compared with $9,120,000,000 in 1940.

BANK CREDIT: Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments bank deposits continued to increase.

UNITED STATES GOVERNMENT SECURITY MARKET: Prices of Treasury bonds increased in the latter part of August but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2¾ per cent 1960-65 bonds were yielding 2.06 per cent compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.