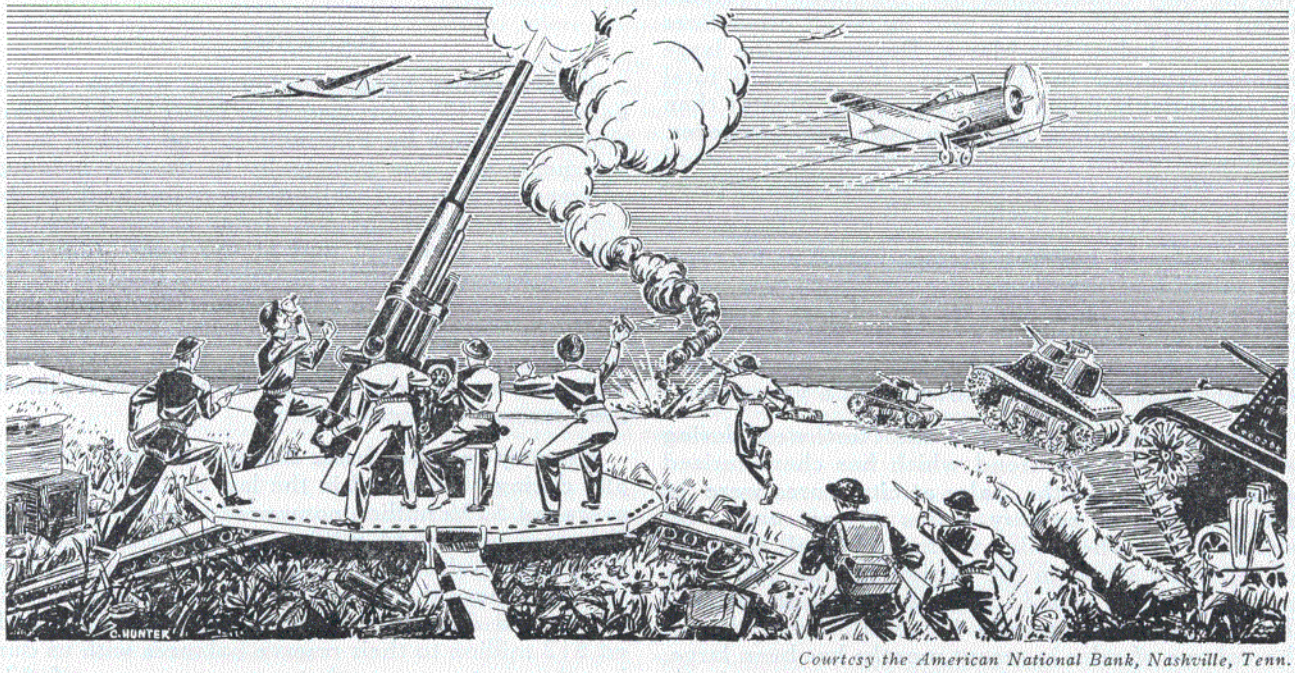
MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 4) Federal Reserve Bank, Minneapolis, Minn. April 28, 1942



Courtesy the American National Bank, Nashville, Tenn.

American Dollars *in Action*

WAR BOND SALES SERIES E—NINTH DISTRICT

	Amount	Number		Amount	Number		Amount	Number
May 1941	$1,641,000	12,059	September	$2,072,000	18,306	Jan. 1942	$16,512,000	191,251
June	1,456,000	11,462	October	2,687,000	24,371	February	9,014,000	123,996
July	2,261,000	17,096	November	2,550,000	25,319	March	8,676,000	137,939
August	1,902,000	16,103	December	8,857,000	114,503	April 1-15 inc.	4,681,000	69,023

Business volume during March reached a new high for the month. Member bank deposits and bank loans showed little change. Farm cash income was substantially above a year ago.

BUSINESS

March business activity in the Ninth District, according to our seasonally adjusted indexes, declined slightly from the high February level but was at the highest March level on record. The indexes of bank debits, both "94 cities" and "farming centers," receded slightly from February but were 26 and 28 points respectively over last year and established new highs for the month of March. The indexes of sales at city department stores and at country department stores also declined from February but they too were at the highest March levels on record. The index of country lumber sales and the index of miscellaneous carloadings showed the same trends but the total carloadings index advanced 3 points from February to 117. This compared to 103 in March of 1941 and was the highest March

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Mar. 1942	Feb. 1942	Mar. 1941	Mar. 1940
Bank Debits—94 cities	145	151	119	115
Bank Debits—farming centers	159	160	131	117
Country check clearings	172	175	132	119
City department store sales	123	134	109	99
City department store stocks	140	133	107	102
Country department store sales	122	152	113	100
Country lumber sales	155	178	123	115
Miscellaneous carloadings	136	147	122	97
Total carloadings (Excl. miscellaneous)	117	114	103	94
Employment—Minn. (Unadj. 1936=100)	120	119	109	102
Farm Prices—Minn. (1924-26=100)	110	110	74	67

level since 1931. The Minnesota farm price index remained at 110, 36 points above a year ago.

Building and construction contracts awarded in this district during March, according to figures released by the F. W. Dodge Corporation, were down sharply from February, whereas an increase is usual at this season. Residential building, probably due to home construction in designated defense areas, was the only classification that registered a volume about comparable with a year ago—all other lines were much below last March. Because of the large volume reported for February, the 3-month total of residential building was 13 per cent greater than in the corresponding period a year ago. However, total construction for 3 months of 1942 amounted to $12.4 million compared to $17.6 million in those months of 1941—a decline of 30 per cent.

The value of building permits issued in 89 cities and suburbs of the district during March was again below the corresponding month of last year and for the first quarter of 1942 was 22 per cent below 1941. Wisconsin registered a gain over last year but all other state totals were down from a year ago.

Department store sales in the Northwest during March followed the trend which has characterized sales in recent months. Sales at city stores were 16 per cent and at country stores 17 per cent over March 1941. The dollar volume of retail sales for all reporting stores in the district for the first three months of 1942 was 23 per cent ahead of sales for the corresponding period in 1941. Even though the volume of sales in recent months has been large, the dollar value of stocks at both country and city department stores was much larger on March 31 than a year ago.

The volume of manufacturing production in the district during March followed the trend of recent months and judging from the following indicators was probably 15 to 20 per cent larger than in March 1941. Slaughterings of cattle and calves at So. St. Paul were 22 per cent over last March while hog slaughterings were up 11 per cent. Sheep slaughterings increased 31 per cent over a year ago. Shipments of linseed oil and oil cake declined from February but were 22 per cent above last March. Flour production and flour shipments were also less than in February but were 6 and 8 per cent respectively over last year. The Minnesota Division of Employment and Security reports that the index of manufacturing employment in Minnesota advanced 1 point to 126 as against 113 in March 1941. The cut of lumber in this district in March was about the same as in February and in March a year ago.

Iron ore shipments from upper lake ports in March reflect the effort being made to reach the record tonnage of 85-90 million tons estimated for the 1942 shipping season. With the help of unusually mild weather and icebreakers, a few ore boats moved out 793 thousand tons late in March. This is the earliest opening date for upper lake iron ore traffic. Lake shipments from these ports usually begin about the middle of April each year. Stocks of ore at lower lake docks and furnaces at the end of March were roughly 21 million tons or a 3-month supply at present rates of consumption. Copper output in this district during March was up from February and 8 per cent larger than in March last year. Gold and silver output was slightly below last year while the number of employees engaged in copper, gold and silver mining was 13 per cent greater than in March 1941.

BANKING

City member banks, during the 4-week period ended April 15, decreased their loans by $2 million and investments by $11 million. The decline in investments was due principally to smaller holdings of treasury bills and obligations guaranteed by the United States government. Total deposits held by these banks increased and at the same time their reserve balances with us declined so that excess reserves were lowered to $5.7 million, the lowest since early in 1938. However, balances with correspondent banks increased sharply to nearly $106 million, part of which could be used to replenish their reserve balances with us.

Country member bank deposits declined seasonally during March and in the last half of the month averaged $596 million compared to $598 million in February and $544 million in March a year ago. A $7 million decline in time deposits during the past year was more than offset by a $59 million increase in demand deposits. Country member banks added $12 million to their reserve balances with us during the past year so that excess reserves of $24 million in March about equalled those of March 1941. Larger reserve balances with us and larger balances with correspondent banks indicate a decline of about $9 million from February to March in earning assets, but they were still $31 million above March a year ago.

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

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
	(Thousands of Dollars)		
Country Banks	$ 70,830	$ 47,138	$ 23,692
City Banks	109,336	96,433	12,903
9th District (1942)	$180,166	$143,571	$ 36,595
9th District (1941)	$169,401	$104,015	$ 65,386

War bond sales in this district, after reaching a high of $16.5 million during January, have since leveled off to a rate of about $9 million per month. Payroll allotment purchases have continued to increase and in Minnesota alone the latest report showed 150,000 individuals were allotting $1,002 thousand each month to the purchase of war bonds. Progress has also been made in the other states of the district but exact figures are not available. The monthly sales of Series E war bonds by issuing agents other than post offices in the Ninth District are shown in the table on the first page of this issue.

AGRICULTURE

Farmers' cash income in the Northwest during March, judging from our estimates of returns from the sale of five important livestock and livestock product items, was larger than in February and was approximately 58 per cent above March a year ago. Income from the sale of dairy products increased about 25 per cent, but larger returns from the sale of hogs were again responsible for most of the gain over March 1941. Both egg production and egg prices were up sharply from a year ago and the estimated income from this source was about 2½ times larger than a year earlier. Income from the sale of cattle was larger than last year due principally to larger marketings.

Livestock marketings at South St. Paul during March were 15 per cent larger than in March 1941. Cattle receipts of 88 thousand head were the largest in our 23-year record for that month. Hog receipts were the largest for March since 1932 with the exception of 1940. Sheep marketings were only 5 per cent larger than last year. Receipts during the first quarter of 1942 were 20 per cent larger than in the same period last year with hogs and cattle showing the largest increases.

Farm prices showed mixed trends during the month of March. Practically all livestock prices registered slight gains, livestock product prices showed little change and most grain prices were slightly below February levels. Flax was one exception and rose from $2.34 per bushel to $2.65, the highest since 1930. The present flax price is still short of the $3.30 peak reached in the fall of 1929 but compares favorably with flax prices during most of the Twenties. Early in April the 1942 flax loan rate was set at $2.40 per bushel. Hog prices advanced further during the month to $13.20, the highest March price since 1920 and the highest for any month since June 1926.

Milk production in the Northwest on April 1, according to the USDA was 4 per cent above last year but was still short of the 8 per cent increase over 1941 established as goal for the Northwest states.

The Government continues to be the largest purchaser of evaporated and dry milk products. Deliveries to the Government during February amounted to 126 million pounds of evaporated milk and 14 million pounds of dry milk, which represented 42 per cent and 41 per cent respectively of the U. S. output for that month. The Department of Agriculture no longer encourages the erection of plants to process cheese or evaporated milk but is still seeking expansion of facilities for the production of dry milk products.

The early lamb report released by the Department of Agriculture states that unfavorable weather conditions were largely responsible for the below average condition of early lambs. Cold weather and snow during March retarded pasture growth to leave conditions in the Northwest sharply below a year ago.

The number of cattle on feed April 1, according to a USDA survey, was only slightly below the number reported on feed a year ago. Fed cattle marketed during the first three months of 1942 have averaged somewhat heavier than in recent years.

A survey of Northwest farmers planting intentions indicates the 1942 crop acreage will be somewhat greater than a year ago. Except for wheat, more acres will be devoted to the production of each of the important crops. The largest acreage increases are expected in barley, flax and corn, but some deviation from present planting intentions may be expected if weather conditions interfere. The 1942 loan rate of $2.40 on No. 1 flax, recently announced by the Department of Agriculture, may further increase the 1942 flax acreage.

CROP ACREAGES

	Planted 1941	Indicated 1942	% 1942 of 1941
	(Thousands of Acres)		
Corn			
Minnesota	4,410	4,807	109
Montana	182	209	115
North Dakota	1,123	1,202	107
South Dakota	3,018	3,048	101
4 States	8,733	9,266	106
All Spring Wheat			
Minnesota	1,334	1,216	91
Montana	2,440	2,025	83
North Dakota	8,410	8,017	95
South Dakota	2,852	2,668	94
4 States	15,036	13,926	93
Oats			
Minnesota	4,339	4,252	98
Montana	425	489	115
North Dakota	1,830	2,086	114
South Dakota	2,248	2,293	102
4 States	8,842	9,120	103
Barley			
Minnesota	1,672	1,856	111
Montana	214	321	150
North Dakota	1,820	2,184	120
South Dakota	1,857	2,321	125
4 States	5,563	6,682	120
Flaxseed			
Minnesota	1,441	1,585	110
Montana	161	320	199
North Dakota	767	1,051	137
South Dakota	237	284	120
4 States	2,606	3,240	124

In summarizing the 1942 crop prospects the USDA reported on April 1 that "prospects for good yields per acre seem as favorable as at this season in any recent year." Commenting specifically on wheat prospects the U. S. Bureau of Agricultural Economics reports that—"studies made by the Bureau indicate that in the past the following factors appear to be important, in the order named in determining spring wheat yields: (1) June temperature, the most important; (2) April-May precipitation; (3) July temperature; (4) July precipitation; and (5) September-October precipitation the previous fall. The carry-over of old wheat July 1, 1942 is expected to be about 630 million bushels, approximately 245 million bushels more than that

of a year earlier. If the 1942 crop turns out to be about 795 million bushels, total supplies would be 1,425 million bushels as compared with 1,331 million bushels in 1941. With the prospects that domestic disappearance may total about 675 million bushels, the quantity available for exports, shipments, and carry-over may be about 750 million bushels. In 1940-41, the last year for which figures are available, exports totaled 34 million bushels."

Egg production per 100 laying hens on farms April 1 was estimated to be 5 per cent above a year ago. This increased rate of production, associated with an approximate increase of 15 per cent in the number of laying hens on farms, has pushed egg production to an all-time high for the month. Production for the year to date has exceeded the 13 per cent increase over 1941 requested by the Government. Dry egg production has increased many times over a year ago and is rapidly approaching the monthly goal of 20 million pounds. The Government has purchased practically the entire dry egg output. For the period March 1 to 20 they accepted offers totaling 16 million pounds.

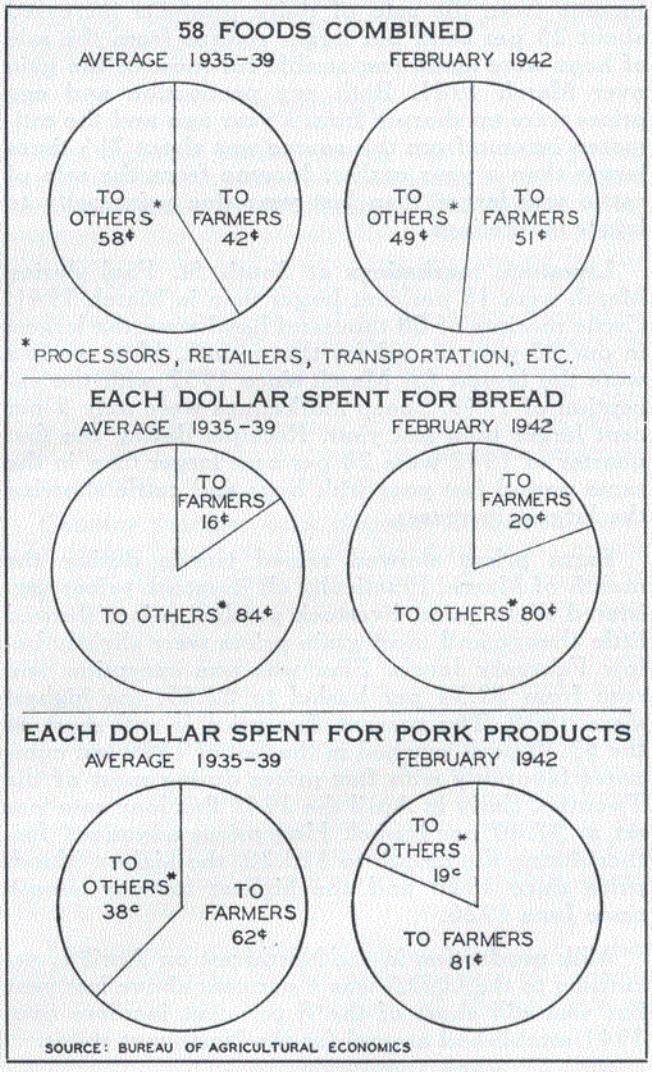
The 1942 farm labor supply available, although substantially smaller than during 1941, does not necessarily mean that farmers will be without workers, but probably indicates that farmers will have to rely upon inexperienced, new farm workers who will perform their duties less efficiently. During the Thirties there was a surplus of agricultural workers in the middle western states but selective service and increased employment in war industries has removed this excess supply of farm labor. The USDA reports that "the number of persons who will work in agriculture during 1942 may be little, if any, lower than in 1941, when an average of 10,267,000 hired and family farm workers were working on farms."

Some farm labor difficulties will arise, of course, but because of mechanization on the farm, the situation, at least in 1942, is not likely to become as serious as in World War I. Despite the shortage of farm labor, one farmer summarized the situation this way: "With favorable weather, I think we will show the world what real soldiers of production can do when it needs to be done!"

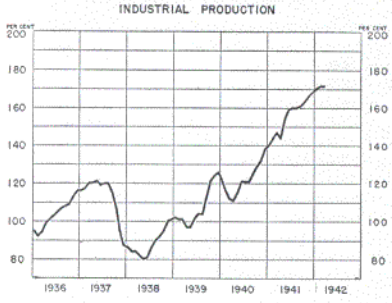
On March 1 the U. S. Bureau of Agricultural Economics made a special inquiry on farm wage rates and found the average rate to be 167 per cent of the 1910-14 March 1 level. This was 30 points above April 1 last year.

The Department of Agricultural Economics at the University of Minnesota, summarizing farm records for approximately 150 southeastern Minnesota dairy farmers, reports that these farmers averaged a total of $454 for hired labor in 1941 compared to the 1936-40 average of $418. The 1941 hired labor expense on these farms represented 5 per cent of the total farm receipts for that year.

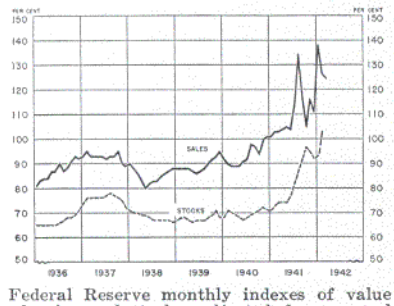
Advancing farm prices have increased the farmer's share of the consumer's food dollar. During the period 1935-39 the farmer received 42c of each dollar the consumer spent for food and by February 1942 his share had increased to 51 per cent. According to the United States Bureau of Agricultural Economics, "Labor costs in food marketing have been rising less rapidly than in many other enterprises and apparently have been offset by lower labor requirements, such as in self-service retailing."



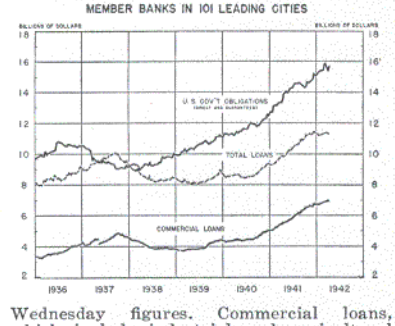
Cold storage stocks of perishable foods in the United States on April 1 continued much above normal. Supplies of dairy products were especially large for this season of the year. Including Government holdings of 57 million pounds, there were 188 million pounds of cheese in storage on April 1 compared to the 5-year median holdings of 86 million pounds for that date. During March the net in-storage movement of cheese amounted to 28 million pounds, whereas cheese stocks usually declined about 8 to 10 million pounds during March. Although creamery butter stocks declined for the month, they were still about twice the average for April 1 with the Government holding about one-quarter of the 45 million pounds in storage. Total meat stocks were above normal. The slight decline in storage holdings of pork was more than offset by increased supplies of beef, lamb and mutton.



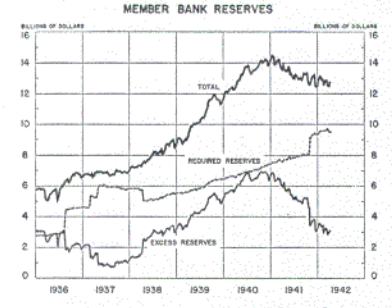
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for March, 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for March, 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for April 8, 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for April 8, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 22, 1942

Industrial activity continued at a high rate in March and the first half of April. Distribution of commodities to consumers was maintained in large volume and commodity prices advanced further.

PRODUCTION: Volume of industrial production increased seasonally in March and the Board's adjusted index remained at 172 per cent of the 1935-39 average. Output of durable manufactured products, now mostly war materials, continued to advance, reflecting mainly increased activity in the iron and steel, machinery, aviation, and shipbuilding industries. Production of lumber and cement, which had been maintained at unusually high levels during the winter months, increased less than seasonally in March.

In most industries manufacturing nondurable goods activity was sustained at earlier high levels. In some, however, notably wool textiles and petroleum refining, there were declines owing to restrictions on production for civilian use and, in the case of petroleum products, to transportation difficulties. Mineral production declined in March and the first half of April, reflecting sharp curtailment in output of crude petroleum. Coal production, which usually declines at this season, was maintained in large volume. The Great Lakes shipping season opened in the latter part of March and the first boatload of iron ore reached lowed Lake ports 12 days earlier than the record set last year. Shipments during the coming season are expected to exceed considerably the total of 80 million gross tons brought down the Lakes last year.

Value of construction contract awards continued to increase in March, according to figures of the F. W. Dodge Corporation, and the level of the first quarter of 1942 was the highest in recent years, being some 30 per cent above that of the corresponding period last year. Awards for public work amounted to close to 80 per cent of the total and in the residential field accounted for 52 per cent of the value of all projects. Publicly-financed contracts for factory construction showed a sharp increase, partly offset in the total by a decline in private factory construction.

On April 9 the War Production Board issued an order which required explicit permission of the Government for initiation of all new private construction involving expenditures in excess of specified small amounts and not covered by specific priority ratings.

DISTRIBUTION: Value of retail trade in March continued at the high level of other recent months, making allowance for customary seasonal changes. Sales at department and variety stores increased by somewhat less than the usual seasonal amount while sales by mail-order houses rose more than seasonally.

On the railroads total loadings of revenue freight were maintained in large volume in March and the first half of April. Shipments of coal and coke declined less than seasonally and ore loadings increased sharply, while grain shipments declined further from the peak reached in January. Loadings of miscellaneous merchandise, which had been unusually large in the preceding three months, increased less than seasonally.

COMMODITY PRICES: The general level of wholesale commodity prices advanced 1½ per cent further from the middle of March to the middle of April. Among manufactured products, finished consumers' goods, such as foods, clothing, and shoes, continued to show the largest price increases. Prices of most raw materials were unchanged or showed increases, which in a number of cases reflected the raising of Federal maximum price levels. There were declines in prices of wheat and of a few other commodities, including gasoline at Gulf ports and turpentine.

In retail markets maximum prices were fixed in this period for a number of electrical products, most of which will no longer be produced for civilian use after May 31. Prices of many other commodities and services advanced further.

BANK CREDIT: During the four weeks ending April 15 holdings of Government securities at banks in leading cities increased by nearly 700 million dollars, while commercial loans declined somewhat, following a rise in previous weeks. Changes in member bank reserves and deposits reflected principally the temporary effects of Treasury operations in connection with income tax collection and the sale of certificates of indebtedness. Money in circulation continued to increase.

UNITED STATES GOVERNMENT SECURITY PRICES: Following an advance from the mid-February low, prices of U. S. Government bonds remained relatively steady in the first half of April.