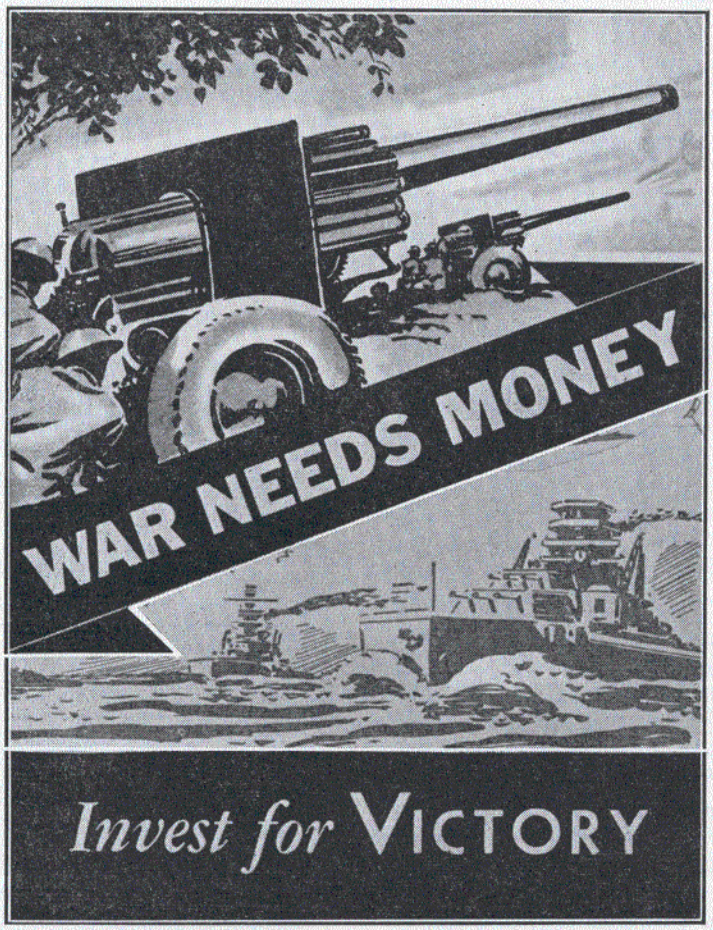
MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 10) **Federal Reserve Bank, Minneapolis, Minn.** **October 28, 1942**

Total business volume continued at a high level during September. Bank deposits and investments in U. S. Government securities rose sharply. Farmers' cash income was at an all-time high.

BUSINESS

Business activity in the Northwest during September continued to be at record levels in spite of the somewhat smaller volume of goods distributed to consumers. The bank debits indexes advanced sharply to the highest points on record for September. Employment and payrolls at manufacturing establishments rose to a new all-time high. Flour production increased seasonally during the month and shipments of linseed oil and cake were at record levels. Lumber cut, although below August, was 17 per cent above September 1941. Carloadings were at the highest September level since 1929. Sales at both city and country department stores were the highest on record for September but were somewhat lower than earlier in the year on a seasonally adjusted basis. Country lumber sales declined sharply and were well below a year ago.



Employment in Minnesota, as reported by the Minnesota Division of Employment and Security, made further gains during September to reach a new high in our nine year records of 135 per cent of the 1936 average. Employment at manufacturing plants making durable goods increased 3.3 per cent from August and manufacturers engaged in non-durable goods production employed 12 per cent more people. The unusual advance in employment in non-durable goods plants which usually declines at this time of year, was the result of a late corn season and the carryover of canning into September. The number of employees in retail establishments in Minnesota was 3.4 per cent greater than in August. The rise in employment in retail trade during the month, although substantial, was less than usual at this time of year, and the index remains at more than 8 per cent below a year ago.

Payrolls advanced during September to 188 per cent of the 1936 average, continuing the tendency to level off which began last month. For the first six months of this year, the increase from month to month averaged 2.8 per cent; and during September, payrolls advanced 2 per cent from the preceding month.

City and country department store sales in the Ninth District during September registered gains of 4 and 8 per cent respectively on a dollar basis over a year earlier. All of the retail trade sections, with the exception of western Montana and northwestern and north central North Dakota, recorded gains. Total sales for the first nine months of 1942 were 6 per cent for city stores and 7 per cent for country stores above the same period in 1941. Montana is the only area whose sales for the first nine months of 1942 were less than during that period of 1941.

Retail furniture sales during September declined 12 per cent from last month and from a year ago, bringing total net sales for the year to date 1 per cent below the same period last year. Showing fur-

ther effects of credit regulation and larger payrolls, total collections, although down from last month, were 4 per cent above a year ago; while total receivables on September 30 were 29 per cent below that date one year earlier. Inventories declined during September, but were 16 per cent above September 1941.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1940
Bank debits—94 cities	150	140	132	104
Bank debits—farming centers	163	159	144	119
Country check clearings	156	156	141	115
City department store sales	126	131	121	101
City department store stocks	154	171	124	106
Country department store sales	135	133	126	103
Country lumber sales	131	164	143	126
Miscellaneous carloadings	127	128	126	110
Total carloadings (excl. miscellaneous)	136	131	130	127
Farm Prices—Minn.	138	141	120	84
Payrolls—Minn. (Unadj. 1936 = 100)	188	184	154	130
Employment—Minn. (Unadj. 1936 = 100)	135	130	126	115

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Sept. 1942 of Sept. 1941	Cumulative % 1942 of 1941
Total District	207	55	105	106
Mpls., St. Paul, Dul.-Sup.	14	8	104	106
Country Stores	193	47	108	107
Minnesota	60	13	111	109
Central	9	.....	121	115
Northeastern	7	2	104	103
Red River Valley	5	.....	121	120
South Central	15	2	122	117
Southeastern	9	4	102	103
Southwestern	15	5	113	110
Montana	23	16	100	96
Mountains	6	5	91	90
Plains	17	11	104	98
North Dakota	33	9	100	104
North Central	6	1	93	108
Northwestern	4	1	98	100
Red River Valley	12	4	100	104
Southeastern	11	3	106	105
Red R. V.-Minn. & N. Dak.	17	4	104	107
South Dakota	25	3	113	111
Southeastern	6	1	113	109
Other Eastern	11	2	109	108
Western	8	.....	136	132
Northern Wisc. & Mich.	52	6	112	115
Northern Wisconsin	16	2	112	112
West Central Wisconsin	27	4	114	117
Upper Peninsula Michigan	9	.....	106	107

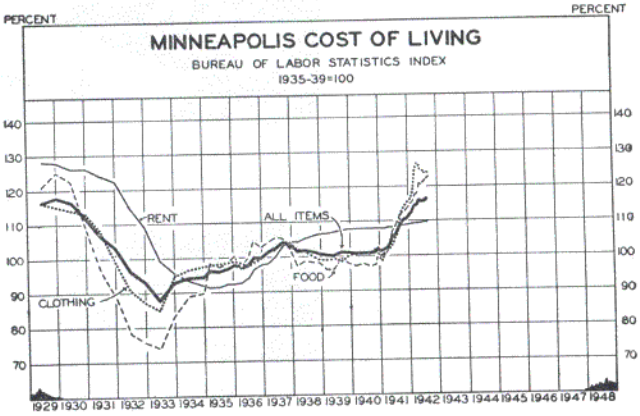
Total construction contracts awarded in the Ninth District in September were $9.8 million compared with $9.9 million in August and $8.4 million in September 1941. The entire increase over a year ago occurred in industrial building, public works and public utility contracts. Other building was at about the same level as a year earlier, the sharp decline in residential building being offset by the expansion in war plant construction. Total contracts awarded during the first nine months of 1942 were nearly twice as large as during the corresponding period of 1941. Almost all of this increase has occurred in the industrial buildings and public utilities classifications.

Iron ore shipments during September totaled 11.8 million tons, recording a seasonal decline from August but establishing a new record for September shipments. More than 72 million tons have been shipped down the lakes so far this season, compared with 62 million at the same time last year. This brings the 90 million ton goal for 1942 well within possible reach since during October and November of 1941 more than 17 million tons were moved, and this year the rate of movement has been about 16 per cent above that of 1941. A Cleveland dispatch to the New York Times states that the ODT now wants a movement of 95 million tons this season. It also estimates that there will be 56 million tons of ore in stock at furnace yards and lower lake docks on January 1, 1943. If this estimate proves correct, it will be the largest for that date in history and more than half again as large as on that date in any recent year. Stocks on October 1 were approximately 48 million tons. Furnaces have been consuming about 7 million tons monthly.

The detailed summary of ore movement by port for the season to date is as follows:

PORT	Season to Oct. 1, 1942	Per Cent of Total	Season to Oct. 1, 1941	Per Cent of Total
Escanaba	4,753,850	7	3,590,277	6
Marquette	3,662,838	5	4,328,656	7
Ashland	5,104,588	7	5,045,660	8
Superior	25,743,135	36	21,972,413	36
Duluth	18,405,005	25	15,415,417	25
Two Harbors	14,383,500	20	11,308,527	18
U. S. Ports Total	72,052,916	100	61,660,950	100

Cost of living in Minneapolis during September rose slightly to 117 per cent of the 1935-39 average as measured by the Bureau of Labor Statistics index. There has been evidence of a leveling off in the cost of living during recent months as price controls have been expanded.



BANKING

City member bank deposits continued to advance and reached a new all-time high of $901 million on October 14, a level $170 million higher than one year earlier. Investments in U. S. Government securities likewise increased sharply to a total of $382 million, more than double the holdings on October 15, 1941. Other investments remained unchanged. Loans have fluctuated within a narrow range during

recent weeks but are $42 million smaller than a year ago. Commercial, industrial and agricultural loans have declined about $21 million and "all other loans" which are largely consumer credit loans have declined a similar amount during the last twelve months. Balances due from commercial banks were about $30 million smaller than a year ago but reserve balances with this bank have increased $36 million.

Country member bank deposits increased $32 million to $676 million during September and averaged $99 million higher than one year earlier, an increase of 17 per cent in 12 months. Country banks held $143 million in balances due from commercial banks, slightly more than one-fifth of total deposits. Reserve balances of $86 million were held at this bank of which $32 million were excess reserves. Earning assets increased $14 million during the month bringing the net increase over a year ago to $56 million.

The reserve position of ninth district member banks as indicated by the daily average of deposits and reserves for the last half of September was as follows:

	Member Banks Reserve Deposits	Required Reserves	Excess Reserves
		Thousands of Dollars	
Country Banks	$ 86,181	$ 54,163	$ 32,018
City Banks	141,031	120,013	21,018
9th District (1942)	227,212	174,176	53,036
9th District (1941)	170,831	114,442	56,389

AGRICULTURE

Farmers' cash income in this district advanced sharply during September, reaching a record level for the month. Our estimates of income from the sale of nine of the most important crop, livestock and livestock product items totaled $155 million, 29 per cent above one year earlier. Income from potatoes was more than double that of September 1941 and income from flax was up 71 per cent, sheep and lambs 65 per cent, hogs 60 per cent, eggs 53 per cent and cattle 33 per cent. During the first nine months of 1942 income of Northwest farmers from the six items listed above together with wheat, rye and dairy products totaled $895 million compared to $626 million during the corresponding period of 1941 and only $386 million in 1938.

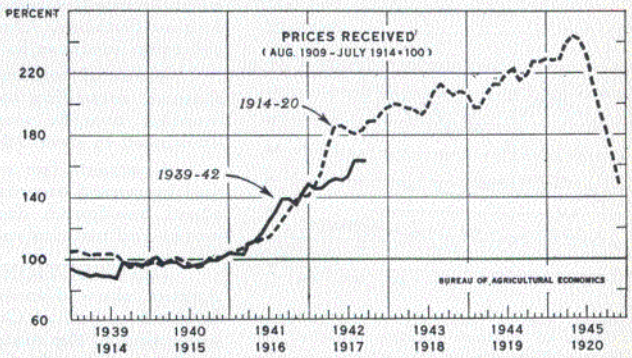
According to the Department of Agriculture, cash farm income from marketings in the United States during 1942 will approximate $15 billion, an increase of about one-third over 1941 and nearly double the pre-war 1935-39 average. The increase in income in 1942 over 1941 results from a rise in prices of about 25 per cent and an overall increase in production of 12 per cent.

Farm product prices during September, as a whole, changed very little from the preceding month. Unusually strong consumer demand for agricultural products offset the dampening effect of heavy marketings. Prices of wheat, rye, dairy and poultry products advanced. However, declines in prices received for meat animals, flax, corn, barley and potatoes offset the increases. Farm prices in this area in September averaged about 15 per cent above one year earlier. Prices of all the important commodities with the exception of rye and barley were higher than a year ago.

The trend of agricultural product prices in the United States during the first 2½ years of the present war had a marked similarity to the trend during the corresponding period of the World War. During recent months, however, farm product prices have not gained as rapidly as during the corresponding period of the World War.

PRICES RECEIVED BY FARMERS

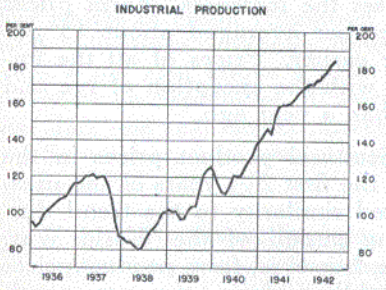
INDEX NUMBERS, UNITED STATES, 1914-20, AND 1939-42



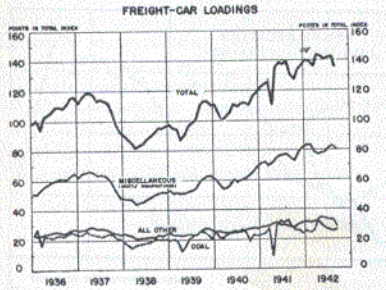
The movement to market of the large 1942 spring pig crop was under way during the month of September. Hog receipts at South St. Paul totaled 183 thousand head—an increase of 22 per cent over September a year ago and represented the largest September receipts since 1933. Hogs marketed at South St. Paul during September averaged 263 pounds compared to 247 a year ago. To relieve a possible market jam in December and January, farmers are being urged to fatten out and market early spring pigs as rapidly as possible. Carrying late pigs beyond the December-January peak is also recommended.

When compared to September a year ago receipts of cattle, calves and sheep and lambs were up 9, 6 and 35 per cent respectively. Feeder cattle shipments from South St. Paul during September, following the trend during August were up 11 per cent over a year ago. The U. S. D. A. reports that "With abundant supplies of corn and other feeds in the corn belt, it appears likely that the number of cattle fed in the 1942-43 feeding season will again be large."

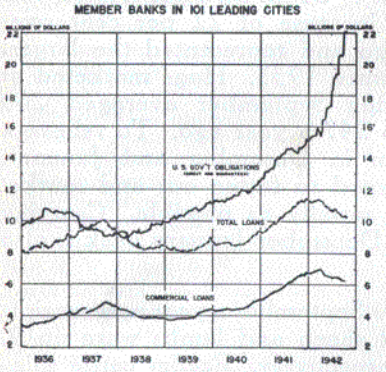
Cold storage stocks of perishable food products in the United States on October 1 showed mixed trends when compared to a year ago but supplies of most commodities still were larger than the 1937-41 five-year average for that date. Storage holdings of cheese increased to 255 million pounds compared to 188 million a year ago and a five-year average of 143 million for October 1. Beef, poultry, lamb and mutton storage holdings were also well above average while supplies of pork, lard and butter, although below the high levels of a year ago, were only slightly below the 1937-41 average.



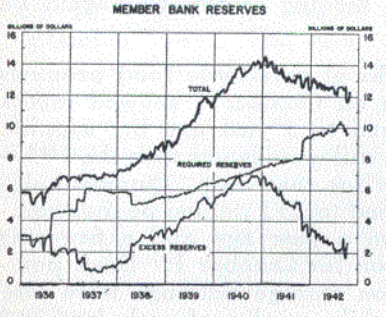
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for September 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for September 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 October 14, 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for October 14, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, OCTOBER 24, 1942

Industrial activity expanded further in September and the first half of October. Prices of uncontrolled commodities continued to advance in September. Early in October an Office of Economic Stabilization was established with a view to more effective control of prices and wages affecting the cost of living.

PRODUCTION: Industrial production increased more than seasonally in September and the Board's adjusted index rose 2 points to 185 per cent of the 1935-1939 average. Armament production continued to advance. Steel production was maintained at a high level during September and then increased during October, reaching 101 per cent of rated capacity in the third week of the month. Cotton consumption continued at a high rate and output of manufactured food products rose more than seasonally owing chiefly to increased activity in the meatpacking and canning industries. Coal production, which had been maintained in large volume during the summer months, did not show the usual sharp seasonal rise in September and the first half of October. Output of crude petroleum showed little change following a considerable increase in August.

Value of construction contracts awarded in September was about the same as in August, according to reports of the F. W. Dodge Corporation. As in other recent months, awards were mainly for publicly-financed work which, in September, amounted to over 90 per cent of the total.

Contracts for manufacturing buildings reached the highest total yet reported, and increased awards for defense housing raised the total for residential building by about one-fourth despite a decline in privately-financed work. Awards for public works and utilities and for commercial buildings dropped substantially.

DISTRIBUTION: Department store sales, which had been unusually large in August, showed somewhat less than the usual sharp seasonal rise during September. In the first half of October, sales were sustained near the high level prevailing at the beginning of the month. Variety store sales increased seasonally from August to September, while sales in small towns and rural areas rose by more than the usual seasonal amount.

Railroad freight-car loadings increased further in September and the first half of October. The rise was small for this time of year, however, owing mainly to the fact that shipments of many commodities, particularly coal, had been maintained at unusually high levels during the summer months.

COMMODITY PRICES: Prices of uncontrolled commodities advanced further in September. During the first half of October, after passage of an amendment to the Price Control Act of 1942, more widespread controls were announced. Maximum prices at the highest levels reached around the end of September were established for butter, cheese, eggs, and various other foods. These items constitute nearly one-third of the food budget and now the proportion of the total under control is about 90 per cent. Another action directed residential rents throughout the country to be limited to the levels of March 1, 1942, wherever rent control procedures were not already in effect.

AGRICULTURE: The October 1 official crop report confirmed earlier prospects that unusually heavy crop yields were in sight. The Department of Agriculture pointed out, however, that, as the harvest progresses under difficulties, particularly as to labor supply, farmers are showing less assurance that it can be completed in season. Record crops of grain, hay, oilseeds, sugar, vegetables, and probably fruits are still likely.

BANK CREDIT: Following a temporary peak of 3 billion dollars in mid-September, excess reserves of member banks declined to 1.7 billion dollars in the latter half of September but increased considerably in the first three weeks of October. This increase resulted in part from the action of the Board of Governors of the Federal Reserve System in reducing reserve requirements on demand deposits at central reserve city banks from 22 to 20 per cent, which added about 400 million dollars to excess reserves. In addition, member bank reserves were increased through purchases of Government securities by the Federal Reserve Banks. As a result of these developments, excess reserves of all member banks on October 21 amounted to 2.4 billion dollars, of which about 500 million dollars were in New York City.

At reporting banks in leading cities heavy purchases of new Treasury certificates of indebtedness and Treasury notes were reflected in an increase of 1.6 billion dollars in Government security holdings during the four weeks ending October 14. Further large increases occurred in the following week as banks received their allotments of the new 1½ per cent notes and 2 per cent bonds. Commercial loans, after declining in August and September, increased in the first two weeks of October, mainly in New York City, while other loans declined further.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States Government securities continued steady last month. Long-term taxable bonds are yielding 2.33 per cent on the average and long-term partially tax-exempt bonds are yielding 2.05 per cent.