

MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank, Minneapolis, Minn.

January 28, 1943

Business activity in December was slightly below November but was the highest for December in history. Bank deposits and investments advanced sharply. Farm income and prices were at unusually high levels.

BUSINESS

Business activity in this district declined slightly during December but was at the highest level on record for that month. Our indexes of bank debits, country check clearings, sales and carloadings were all lower than in November or some other recent month, but with the exception of carloadings all were at the highest December level in history. Minnesota employment and payrolls indexes advanced to new all-time highs. The number of people employed was more than $\frac{1}{3}$ greater than in 1938 and payrolls were nearly double the December 1938 level. Production and shipments of flour and shipments of linseed oil increased during the month and were well above a year earlier. Electric power production established another all-time high record. Mining and lumber manufacturing continued at a high rate.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1940
Bank Debits—94 cities.....	165	169	147	115
Bank Debits—farming centers.....	172	175	156	121
Country check clearings.....	174	178	158	120
City department store sales.....	140	144	127	111
City department store stocks.....	129	140	129	106
Country department store sales.....	153	148	140	116
Country lumber sales.....	138	106	134	110
Miscellaneous carloadings.....	136	132	157	133
Total carloadings (excl. misc.).....	98	137	110	100
Farm Prices—Minn.....	159	154	127	92
Employment—Minn. (Unadj. 1936=100)	140	135	126	115
Payrolls—Minn. (Unadj. 1936=100)	206	200	158	134

The 1942 volume of business in the Northwest was larger than in any other year in history. The annual bank debits indexes were both about 20 points above 1941, and well above the 1929 level. Department store sales at both city and country stores were about 8 per cent larger than in 1941 and were about 14 per cent larger than in 1929. Country lumber sales declined slightly from the 1941 volume but were about as large as in 1929. The number of freight cars loaded were the largest since 1930. Building contracts awarded in 1942 were nearly twice the 1941 volume and more than double the awards of any previous year. Electric power

production and linseed oil shipments were, likewise, at the highest levels in history. Flour production was well above 1941 but smaller than in years previous to 1937. The volume of lumber cut was somewhat larger than in 1941 and larger than any other year since 1929. Iron ore mining activity reached a new all-time high, whereas the mining of precious metals declined somewhat because of the government order closing gold mines.

Northwest Business Indexes—Annual

Adjusted for Seasonal Variation—1935-39 = 100

	1942	1941	1940	1939
Bank Debits—94 cities.....	149	129	112	104
Bank Debits—farming centers.....	159	138	117	107
Country check clearings.....	163	140	116	105
City department store sales.....	131	121	110	106
City department store stocks.....	150	119	106	103
Country department store sales.....	136	124	112	106
Country lumber sales.....	131	138	123	116
Miscellaneous carloadings.....	132	131	108	101
Total carloadings (excl. misc.).....	132	128	112	100
Farm Prices—Minn.....	143	111	86	83
Employment—Minn. (Unadj. 1936=100)	128	119	108	104
Payrolls—Minn. (Unadj. 1936=100)	179	143	123	116

Building and construction contracts awarded in this area during 1942, as reported by the F. W. Dodge Corporation, totaled about \$250 million, nearly double the volume of any other year on record. More than \$65 million of contracts for industrial buildings were awarded during the year. This compares with less than \$1 million in 1932 and a total of only \$12 million in 1929. About \$50 million of public utility contracts were also awarded, a volume which compares with \$32 million in 1929, the previous all-time record. Public works and other public construction such as airfields, cantonments and similar projects also were substantially larger than in any other previous year. Residential building, on the other hand, reflecting the effects of priorities and other war restrictions, declined sharply and totaled only \$25 million compared with \$40 million in 1941 and the all-time high of \$42 million in 1923.

Department stores in the Ninth District enjoyed the largest holiday sales volume in history. December sales were 11 per cent larger than in 1941 and more than double the December 1932 volume. Sales of Minneapolis, St. Paul, Duluth and Superior stores during 1942 averaged 8 per cent larger than in 1941 while country stores recorded a gain of 9 per cent. The mountain section of Montana was the only area in the district that had a smaller sales volume than in 1941.

Sales at Department Stores

December 1942 Compared to December 1941

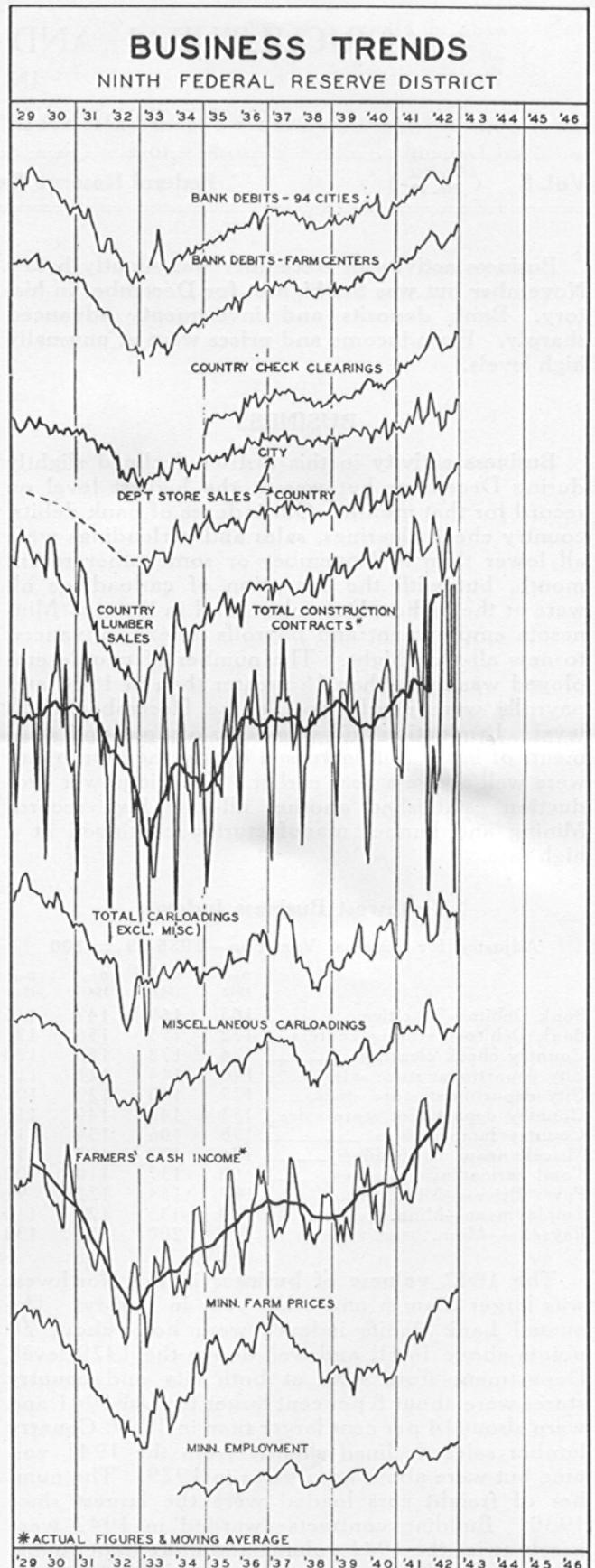
	Number of Stores		% Dec. 1942 of Dec. 1941	Annual Total % 1942 of 1941
	Showing Increase	Showing Decrease		
Total District	175	47	111	108
Mpls., St. Paul, Dul.-Sup.	18	3	111	108
Country Stores	157	44	109	109
Minnesota	54	12	106	110
Central	6	1	120	117
Northeastern	6	2	96	100
Red River Valley	5	0	118	122
South Central	15	2	111	116
Southeastern	7	2	100	103
Southwestern	15	5	104	107
Montana	22	10	108	99
Mountains	6	4	99	93
Plains	16	6	112	102
North Dakota	29	10	102	111
North Central	4	3	108	113
Northwestern	2	3	96	103
Red River Valley	13	3	103	106
Southeastern	10	1	101	106
R. R. Val.-Minn. & N. D.	18	3	106	109
South Dakota	24	6	116	116
Southeastern	6	2	117	114
Other Eastern	11	2	111	113
Western	7	2	131	135
Wisconsin and Michigan	28	6	110	114
Northern Wisconsin	11	3	104	116
West Central Wisconsin	12	2	114	115
Upper Peninsula Michigan	5	1	108	109

The maintenance of large sales volumes during the last half of 1942 has, however, been maintained at the expense of inventories. In July the city department store stocks index reached a peak of 182 per cent of the 1935-39 average. Inventories at that time were 53 per cent larger than one year earlier. During the last five months of the year the index declined steadily to 129 on December 31, about the same level as one year earlier.

While the dollar volume of department store inventories at the end of 1942 was still about 25 per cent larger than at the end of 1940, it was probably not much larger in unit volume since prices of commodities handled by department stores were about 21 per cent higher than in 1940. Because of discontinuing the production of some consumer goods and the squeeze on output of most other lines because of war goods production, department stores have been unable to get sufficient deliveries to maintain inventories with the existing rate of sales.

Since Regulation W was amended on May 6 requiring that open charge accounts be paid in full by the 10th day of the second month following purchase, open account receivables have declined steadily and at year end were about 1/3 smaller than a year earlier in spite of the larger sales volume. The percentage of open accounts outstanding at the beginning of the month collected during the month advanced from 59 per cent in December 1941 to 83 per cent in December 1942.

Another factor having considerable bearing on the decline in receivables was the sharp increase in cash sales during the past year. In December 1941 about 47 per cent of sales were for cash and 53 per cent on credit, whereas in December 1942 cash sales accounted for 55 per cent and credit sales 45 per cent.



BANKING

Deposits of all member banks in the Ninth District increased 37 per cent during the six months ended December 31, bringing the total to \$1,873 million, nearly double the 1929 volume. From the 1933 low of \$622 million, deposits increased steadily until December 1936 when they totaled \$1,052 million. They then declined to \$986 million in March 1938. During the following four years, with the improvement in business conditions, deposits advanced steadily, reaching \$1,370 million on June 30, 1942. The entire four year increase, however, was smaller than the increase that took place during the last half of 1942.

While deposits were increasing at such a rapid rate, loans continued to decline to \$407 million, \$12 million less than those outstanding on June 30, and \$98 million less than one year earlier. This is the first time in our records, which begin in 1913, that loans and deposits have moved so decisively in opposite directions. In the past, the expansion of commercial, agricultural and consumer loans were the primary causes of deposit advances. During the past year, deposits have risen chiefly from increased farm income and government war expenditures.

Commercial enterprises did not need additional bank credit since, in many cases, war restrictions were causing a curtailment rather than an expansion in their activities. Agriculture was not in need of more credit since Northwest farms were developed, well equipped and stocked with livestock, feed and grains when the year started. On the contrary, expanded farm income has enabled farmers to retire

their outstanding debts at an unprecedented rate. Similarly, increased incomes of consumers have enabled them to retire about half of the bank debt which they owed at the beginning of the year.

Investment holdings of member banks increased \$389 million during the last half of 1942, bringing the total to \$953 million on December 31, more than double the amount held one year earlier. The entire increase consisted of United States Government securities. Total loans and investments, therefore, increased \$422 million during the year, but since deposits advanced about \$565 million, cash and due from banks increased approximately \$140 million. Excess reserves held with this bank increased \$21 million to a total of \$55 million.

These trends are significant to both bankers and business men in the Northwest. They are important because they indicate private debts are being liquidated and that purchasing power is accumulating for future use. Only about 22 per cent of the depositors' balances are now offset by debts which they owe to banks. This is quite in contrast to the early 1920's when loans were nearly as large as deposits and the early 1930's when about 60 per cent of the deposits were offset by loans.

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

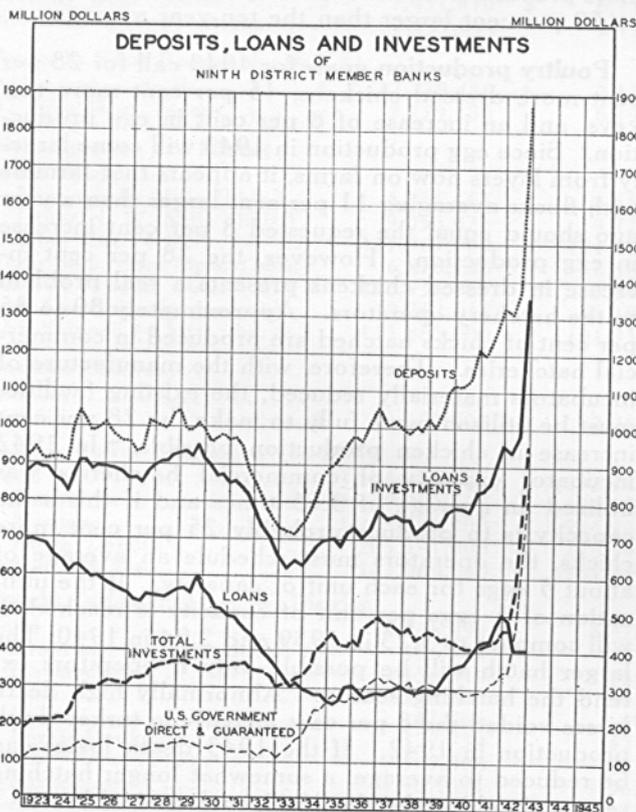
	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
Thousands of Dollars			
Country Banks	\$100,976	\$ 67,928	\$ 33,048
City Banks	170,162	148,607	21,555
9th District (1942)	271,138	216,535	54,603
9th District (1941)	177,549	143,769	33,780

Consumer instalment loans outstanding declined sharply during 1942. Outstandings of a group of 26 commercial banks in this area declined 56 per cent during the 12 months ended December 31. Automobile loans declined 76 per cent, personal loans 60 per cent, repair and modernization loans 41 per cent and other instalment loans 69 per cent. Other consumer lending agencies have likewise experienced sharp reductions. A group of 20 personal loan companies reported a decline of 20 per cent in total loans outstanding, 64 credit unions a drop of 38 per cent and 8 industrial banks 29 per cent.

The more important reasons for these declines are: (1) rationing of automobiles and growing shortages in other consumer durable goods frequently purchased on the instalment plan; (2) the sharp increase in payrolls and in farmers' cash income which supplied consumers with funds to repay debts as well as to maintain normal expenditures; and (3) Regulation W which discouraged the use of consumer credit by establishing maximum credit values for many consumer goods and by shortening maturities.

AGRICULTURE

Northwest farmers, like all patriotic Americans, answered the call for greater production in 1942. During the past year the vast resources of our na-



tion were launched upon a production campaign that pushed output to new high levels, which, to the most optimistic observer in the middle 30's then would have seemed unattainable. Although most current reports emphasize our great industrial output, another kind of production, just as essential in total war and which we should not lose sight of, flows from our farms. Early in 1942 the government established large farm production goals and during the year, farmers of the nation responded magnificently with the greatest volume of farm products ever produced in any one year in our history. Farmers of the Northwest made a real contribution to this large production when they raised 24 per cent more hogs than in 1941, 10 per cent more wheat, 45 per cent more flax, 15 per cent more corn and 3 to 4 per cent more milk. Farmers did this job despite labor shortages and a limited supply of new farm equipment.

High farm prices, improved farming techniques and favorable weather conditions combined to make for farmers the most successful year in the history of Northwest agriculture. Adequate moisture in the Dakotas boosted crop yields per acre to record levels, more dairy cows on farms, good pastures and balanced rations increased milk production in Minnesota and Wisconsin to new highs, while rainfall at regular intervals throughout the pasture season enabled Montana farmers to produce more cattle, sheep and lambs than ever before. The year 1943 begins with many conditions favorable to another record year. Feed supplies and livestock numbers are large, range and pasture conditions were good at the close of the 1942 season, and plentiful subsoil moisture gives promise of good yields on full acreage.

Northwest cash farm income reached a new high in 1942, probably in excess of \$1.6 billion, and exceeds the previous high established in 1919. Higher farm prices associated with the unusually large farm production increased cash farm income from all principal sources, but the return from the sale of hogs, up 74 per cent from 1941, was responsible for a large share of the gain over one year earlier. We estimate that farmers in this district received from the sale of hogs in 1942 \$286 million compared to \$164 million in 1941. The cash income from the sale of eggs was almost double the 1941 income, but represents a much smaller share of the total income than do hogs. Even though the farm operators' expenses, such as wages, commercial feeds and rents, increased considerably during the past year, other large expense items, such as taxes and mortgage interest, have not advanced, so that the net income of farmers was substantially larger than a year earlier.

Prices received by farmers in December, except for hogs, registered moderate gains from one month earlier and according to the United States Department of Agriculture advanced 24 per cent for the year. When compared to December 1941, most livestock prices were up \$2 to \$2.50 per hundred-weight from a year earlier, eggs 4 cents per dozen,

butterfat about 12 cents per pound, and most grains 2 to 10 cents per bushel. Farmers received an average of \$1.78 for flax in December 1941, as compared to \$2.33 in December 1942. Farm price advances during the early years of World War I were greater than during the first years of the present war. However, farm production during this war period has been expanded much more than during World War I to account for a larger increase in cash farm income.

Wheat loans made to Northwest farmers on the 1942 crop totaled \$129 million according to a statement released by the United States Department of Agriculture. A total of 134,431 loans covering 68,841,374 bushels of wheat stored on farms and 46,691,241 bushels stored in warehouses were made to applicants in the states of Minnesota, North and South Dakota, and Montana.

Pigs farrowed on farms in the Ninth Federal Reserve District during the last half of 1942 totaled 3.3 million head, which was an increase of 24 per cent over farrowings for the same period of 1941. Farrowings during the first half of 1942 also showed a 24 per cent increase over the corresponding period a year earlier. The combined spring and fall pig crop in 1942 for the nation was estimated to be 104.7 million head. This exceeds the 1941 crop by 24 per cent and is 44 per cent larger than the ten-year average. Preliminary surveys by the Department of Agriculture indicate that the farrowings in the spring of 1943 will show an additional 24 per cent increase over the spring of 1942. If this estimate proves correct, the 1943 spring farrowings will be 59 per cent larger than the ten-year average.

Poultry production goals for 1943 call for 28 per cent more dressed chickens, 15 per cent more turkeys, and an increase of 8 per cent in egg production. Since egg production in 1943 will come largely from layers now on farms, it appears that farmers with flocks averaging 11 per cent larger than a year ago should equal the requested 8 per cent increase in egg production. However, the 28 per cent increase in dressed chickens presents a real problem to the hatchery operators. Approximately 80 to 85 per cent of chicks hatched are produced in commercial hatcheries. Therefore, with the manufacture of incubators materially reduced, the existing facilities must be utilized more fully to make the 28 per cent increase in chicken production possible. In 1942 incubator capacity of commercial hatcheries was utilized an average of 3.65 times and if this same capacity is to produce probably 25 per cent more chicks, the operators must schedule an average of about 5 eggs for each unit of capacity. If the utilization of 5 eggs per unit of capacity is reached, it will compare to 3.23 in 1939 and 2.94 in 1940. The larger hatch will be possible only if operators extend the hatching season. Abnormally high death losses voided the 8 per cent increase in turkey poult production in 1942. If the 1943 death losses can be reduced to average, a somewhat longer hatching season should make the 1943 goal attainable.

THE YEARS 1938 TO 1942 IN THE NINTH FEDERAL RESERVE DISTRICT

Bank Debits	1938	1939	1940	1941	1942
Total—109 Cities	\$ 9,726,935,000	\$10,294,432,000	\$11,071,392,000	\$12,860,984,000	\$14,661,617,000
Minneapolis	3,905,851,000	4,126,517,000	4,405,028,000	4,957,803,000	5,712,422,000
St. Paul	1,879,028,000	1,958,139,000	2,071,978,000	2,466,073,000	2,793,508,000
South St. Paul.....	272,765,000	298,792,000	335,376,000	422,674,000	633,359,000
Duluth-Superior	562,552,000	598,324,000	652,017,000	749,464,000	806,411,000
Michigan—14 Cities	246,303,000	262,009,000	282,294,000	331,521,000	368,281,000
Minnesota—39 Other Cities	815,517,000	843,032,000	900,327,000	1,043,246,000	1,134,361,000
Montana—15 Cities	717,338,000	784,607,000	853,862,000	989,578,000	1,035,282,000
North Dakota—13 Cities..	556,936,000	579,430,000	652,282,000	792,030,000	878,067,000
South Dakota—16 Cities..	494,324,000	542,637,000	591,590,000	722,275,000	882,930,000
Wisconsin—7 Other Cities.	276,321,000	300,945,000	326,638,000	386,320,000	416,996,000
Country Check Clearings					
Total	\$ 2,084,972,000	\$ 2,211,726,000	\$ 2,426,415,000	\$ 2,951,750,000	\$ 3,402,878,000
Minnesota	1,042,377,000	1,088,903,000	1,166,811,000	1,405,775,000	1,615,711,000
Montana	234,884,000	253,066,000	302,711,000	374,826,000	411,093,000
North and South Dakota..	518,318,000	569,041,000	632,045,000	783,059,000	944,315,000
Michigan and Wisconsin..	289,393,000	300,716,000	324,848,000	388,090,000	431,759,000
Retail Sales					
337 Lumber Yards (bd. ft.)..	89,409,000	99,500,000	108,354,000	120,958,000	114,960,000
337 Lumber Yards (Dollar volume)	\$ 12,987,260	\$ 14,070,580	\$ 15,250,520	\$ 17,978,620	\$ 17,011,490
19 City Dept. Stores.....	62,628,080	65,932,760	67,930,680	75,336,050	81,414,300
476 Country Dept. Stores..	71,853,450	75,609,130	79,174,570	86,587,680	96,919,060 ¹
Minnesota (167 Stores)...	22,128,470	23,103,400	24,188,290	26,642,840	30,238,270 ¹
Montana (74 Stores).....	15,770,420	16,472,990	17,342,160	18,639,760	19,453,100 ¹
North Dakota (98 Stores)..	12,365,510	12,923,790	13,391,390	15,326,720	17,128,040 ¹
South Dakota (68 Stores)..	9,315,760	10,868,290	11,597,680	11,717,970	13,741,400 ¹
Mich. & Wis. (69 Stores)..	12,273,380	12,240,660	12,655,050	14,260,390	16,358,250 ¹
Life Insurance—Total	\$ 206,142,000	\$ 200,750,000	\$ 201,172,000	\$ 206,032,000	\$ 183,888,000 ¹
Minnesota	148,083,000	142,149,000	140,620,000	143,280,000	126,086,000 ¹
Montana	21,202,000	22,693,000	23,532,000	22,520,000	19,818,000 ¹
North Dakota	17,705,000	17,423,000	18,010,000	18,952,000	18,194,000 ¹
South Dakota	19,152,000	18,485,000	19,010,000	21,280,000	19,790,000 ¹
Inventories, December 31					
311 Lumber Yards (bd. ft.)..	45,158,000	44,441,000	52,485,000	62,026,000	43,869,000
4 Lumber Mfrs. (bd. ft.)....	95,724,000	75,311,000	65,073,000	49,518,000	29,815,000
17 City Dept. Stores.....	\$ 7,431,410	\$ 8,112,170	\$ 13,166,880	\$ 16,005,410	\$ 16,165,460
86 Country Dept. Stores....	2,639,090	2,734,680	2,843,580	3,136,490	2,930,710 ¹
Accts. & Notes Receivable, Dec. 31					
337 Lumber Yards	\$ 2,278,480	\$ 2,573,760	\$ 2,782,891	\$ 2,963,420	\$ 1,569,670
17 City Dept. Stores.....	7,779,180	8,198,630	8,309,570	8,827,720	6,620,790 ¹
Manufacturing and Mining					
Flour Production					
Minneapolis Mills (bbls.)..	5,736,663	5,559,445	5,241,560	5,622,308	5,984,892
Other N. W. Mills (bbls.)..	9,053,823	9,774,609	9,654,140	9,127,051	9,586,765
Lumber Cut (4 Mfrs., bd. ft.)	117,967,000	121,833,000	139,542,000	149,707,000	153,708,000
Flour Ship. from Mpls. (bbls.)	6,270,138	6,364,600	5,875,925	5,871,245	6,072,655
Linseed Product Ship. (lbs.)..	156,938,361	253,940,000	432,970,000	642,900,000	782,660,000
Iron Ore Ship. (gross tons)..	19,263,011	45,105,746	63,656,058	81,210,559	92,076,781
Lbr. Shipped (4 Mfrs., bd. ft.)	115,085,000	141,951,000	149,707,000	168,295,000	176,819,000
Business Failures					
Number	226	246	228	194	147
Liabilities	\$ 3,861,000	\$ 2,268,000	\$ 2,796,000	\$ 2,962,000	\$ 2,127,000
Electric Power Production (kwh)					
Total	3,125,839,000	3,632,945,000	4,145,460,000	4,797,684,000	4,998,834,000
Minnesota	1,449,993,000	1,670,684,000	1,955,260,000	2,171,558,000	2,294,250,000
Montana	1,323,389,000	1,574,903,000	1,768,816,000	2,177,348,000	2,243,126,000
North Dakota	205,391,000	226,146,000	243,678,000	265,318,000	264,017,000
South Dakota	147,066,000	161,212,000	177,706,000	183,465,000	197,441,000
Freight Carloadings—N. W. District					
Total	4,055,491	4,820,117	5,365,471	6,201,577	6,300,774
Grain and Grain Products..	486,341	478,649	480,306	564,139	644,708
Livestock	158,814	156,241	162,957	152,994	173,530
Coal	277,380	303,779	330,590	336,691	385,760
Coke	41,066	68,408	83,836	104,662	101,914
Forest Products	377,734	421,211	492,606	570,506	652,184
Ore	367,808	851,428	1,183,240	1,497,487	1,722,920
Miscellaneous	1,387,841	1,562,226	1,682,493	2,021,910	2,043,997
Merchandise—LCL	958,507	978,175	949,443	953,188	574,756

THE YEARS 1938 TO 1942 IN THE NINTH FEDERAL RESERVE DISTRICT (CONTINUED)

F. H. A. Mortgages	1938	1939	1940	1941	1942
Number—4 State Total.....	2,949	3,052	3,899	3,955	1,249
Valuation—Total.....\$	11,589,000	\$ 12,431,000	\$ 16,699,000	\$ 16,883,000	\$ 5,164,000
Minnesota.....	8,610,000	8,953,000	11,235,000	11,686,000	3,558,000
Montana.....	1,394,000	1,640,000	2,950,000	3,029,000	931,000
North Dakota.....	551,000	393,000	625,000	516,000	30,000
South Dakota.....	1,034,000	1,445,000	1,889,000	1,652,000	645,000
Non-Farm Real Estate Foreclosures					
Number—Total.....	2,148	1,760	1,195	981	835 ²
Minnesota.....	1,157	1,028	690	558	452 ²
Montana.....	168	95	101	88	80 ²
North Dakota.....	280	284	171	158	167 ²
South Dakota.....	543	353	233	177	136 ²
Construction Contracts Awarded					
Total.....\$	93,669,000	\$ 95,018,000	\$ 93,585,000	\$ 125,539,000	\$ 246,681,000
Public Works.....	31,305,000	28,880,000	25,498,000	36,135,000	42,085,000
Public Utilities.....	9,259,000	7,781,000	10,032,000	10,123,000	48,001,000
Total Building.....	53,105,000	58,357,000	58,055,000	79,281,000	156,593,000
Residential.....	23,114,000	28,214,000	34,066,000	39,869,000	25,131,000
Commercial & Industrial.....	6,577,000	8,407,000	11,788,000	27,375,000	72,975,000 ¹
Educational.....	12,390,000	10,790,000	3,830,000	3,716,000	26,012,000 ¹
All Other.....	11,024,000	10,946,000	8,371,000	8,321,000	32,475,000 ¹
City Member Banks³	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1940	Dec. 31, 1941	Dec. 31, 1942
Loans and Discounts.....\$	160,220,000	\$ 191,015,000	\$ 215,972,000	\$ 273,764,000	\$ 207,806,000
U. S. Gov't Securities.....	177,518,000	173,010,000	167,287,000	201,611,000	514,193,000
Other Securities.....	41,385,000	42,607,000	41,792,000	41,258,000	39,149,000
Total Deposits.....	550,790,000	616,854,000	664,879,000	721,856,000	1,050,477,000
Dem. Dep. Ind., Pt. & Corp.....	236,722,000	276,089,000	303,232,000	346,953,000	494,398,000
Time Dep. Ind., Pt. & Corp.....	119,531,000	119,275,000	116,428,000	109,510,000	111,109,000
Public Deposits.....	61,350,000	57,911,000	61,393,000	65,588,000	178,111,000
Due to Banks & Other Dep.....	133,187,000	163,579,000	183,826,000	199,805,000	266,859,000
Estimated Excess Reserves... ⁴	17,100,000	37,800,000	45,400,000	12,796,000	21,555,000
Country Member Banks⁴					
Loans and Discounts.....\$	137,322,000	\$ 165,937,000	\$ 201,167,000	\$ 230,375,000	\$ 199,088,000
U. S. Gov't Securities.....	133,931,000	125,757,000	124,491,000	144,227,000	330,590,000
Other Securities.....	99,820,000	89,596,000	79,833,000	72,256,000	69,422,000
Total Deposits.....	477,070,000	508,327,000	548,241,000	605,836,000	822,773,000
Dem. Dep. Ind., Pt. & Corp.....	170,483,000	194,412,000	221,162,000	266,298,000	403,211,000
Time Dep. Ind., Pt. & Corp.....	231,196,000	237,581,000	247,514,000	245,520,000	265,654,000
Public Deposits.....	54,110,000	51,816,000	51,765,000	58,992,000	103,793,000
Due to Banks & Other Dep.....	21,281,000	24,518,000	27,749,000	35,026,000	50,115,000
Estimated Excess Reserves... ⁴	15,906,000	21,363,000	24,311,000	20,984,000	33,048,000
All Member Bank Total Deposits					
Total.....\$	1,027,860,000	\$ 1,125,181,000	\$ 1,213,120,000	\$ 1,327,692,000	\$ 1,873,250,000
Michigan—15 Counties... ⁵	59,031,000	60,300,000	63,357,000	62,098,000	76,715,000
Minnesota.....	689,992,000	759,016,000	822,629,000	893,755,000	1,263,201,000
Montana.....	119,413,000	129,283,000	137,873,000	154,566,000	217,293,000
North Dakota.....	46,114,000	50,886,000	53,846,000	66,658,000	99,310,000
South Dakota.....	63,989,000	73,709,000	79,086,000	91,660,000	138,050,000
Wisconsin—26 Counties... ⁶	49,321,000	51,987,000	56,329,000	58,955,000	78,680,000
Interest Rates (Per Cent)					
Minneapolis Com'l Banks....	3½-3¾	3-3¼	2¾-3	3-3¼	2½-3
Com'l Paper (Net Rate)....	7/8	7/8	¾	¾	7/8
Minneapolis Fed. Res. Bank.	1½	1½	1½	1½	1
Minneapolis Federal Reserve Bank					
Loans to Member Banks.....\$	134,000	\$ 150,000	\$ 196,000	\$ 50,000	\$ 0
Twin Cities.....	0	0	0	0	0
Minn., Wis. and Mich....	124,000	67,000	35,000	0	0
North Dakota and Montana	10,000	50,000	125,000	50,000	0
South Dakota.....	0	33,000	36,000	0	0
Industrial Advances.....	964,000	743,000	219,000	514,000	366,000
Total Earning Assets.....	57,915,000	68,450,000	62,683,000	67,073,000	154,600,000
Mem. Bank Res. Balances....	113,568,000	154,788,000	174,476,000	178,535,000	276,826,000
Fed. Res. Notes in Circ.....	136,857,000	141,427,000	158,709,000	206,510,000	302,727,000
Total Reserves.....	249,844,000	268,053,000	318,004,000	400,484,000	485,606,000
Farmers' Cash Income (F. R. Bk.)	1938	1939	1940	1941	1942
Dairy Products.....\$	156,820,000	\$ 143,970,000	\$ 173,200,000	\$ 228,450,000	\$ 277,760,000
Hogs.....	92,870,000	84,900,000	112,540,000	164,450,000	285,890,000
Cattle and Calves.....	106,300,000	108,460,000	125,710,000	193,000,000	256,150,000
Sheep and Lambs.....	17,550,000	17,680,000	20,440,000	27,620,000	44,180,000
Eggs.....	33,470,000	29,670,000	32,810,000	50,290,000	95,070,000
Wool.....	8,860,000	10,739,000	16,090,000	22,750,000	26,370,000
Wheat.....	86,680,000	92,230,000	103,230,000	183,620,000	232,680,000
Flax.....	9,910,000	21,220,000	28,610,000	35,990,000	64,530,000
Rye.....	6,660,000	5,040,000	4,620,000	7,270,000	11,120,000
Potatoes.....	10,020,000	12,060,000	14,360,000	12,620,000	20,110,000

NINTH FEDERAL RESERVE DISTRICT

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THE YEARS 1938 TO 1942 IN THE NINTH FEDERAL RESERVE DISTRICT (CONTINUED)

	1938	1939	1940	1941	1942
Farmers' Cash Income (USDA)					
Ninth District	\$ 708,051,000	\$ 806,378,000	\$ 929,647,000	\$ 1,203,368,000	\$ 1,647,780,000
Michigan (15 Counties)...	11,393,000	11,779,000	12,832,000	16,296,000	22,160,000
Minnesota	342,436,000	359,653,000	428,550,000	524,979,000	771,720,000
Montana	76,851,000	97,639,000	112,044,000	151,272,000	169,430,000
North Dakota	102,366,000	140,048,000	156,647,000	227,182,000	304,420,000
South Dakota	108,471,000	131,550,000	148,554,000	182,134,000	238,960,000
Wisconsin (26 Counties) ..	66,534,000	65,709,000	71,020,000	101,505,000	141,090,000
Northwest Farm Production					
Wheat (Bu.)	214,174,000	172,344,000	204,785,000	269,211,000	292,868,000
Corn (Bu.)	227,136,000	285,022,000	266,756,000	288,551,000	360,806,000
Oats (Bu.)	236,409,000	257,163,000	305,759,000	265,433,000	390,377,000
Barley (Bu.)	105,276,000	121,395,000	121,127,000	135,857,000	191,702,000
Rye (Bu.)	34,982,000	20,409,000	23,129,000	25,638,000	34,667,000
Flax (Bu.)	6,753,000	15,967,000	23,236,000	22,642,000	31,338,000
Potatoes (Bu.)	43,347,000	44,752,000	50,914,000	39,734,000	45,785,000
Pigs Farrowed	7,591,000	9,766,000	9,736,000	10,325,000	12,794,000
Lambs	4,415,000	4,441,000	4,877,000	5,447,000	5,747,000
Wool (Lbs.)	49,221,000	52,387,000	57,997,000	66,417,000	67,624,000
Milk (Cwt.)	161,700,000	163,540,000	168,440,000	179,670,000	185,200,000
Butter (Lbs.)	512,229,000	519,588,000	543,821,000	582,678,000	562,300,000
Eggs (Doz.)	257,833,000	275,333,000	293,167,000	314,583,000	411,750,000
Northwest Farm Prices					
Wheat (per bu.)	\$.67	\$.59	\$.68	\$.78	\$.96
Oats (per bu.) .....	.21	.24	.27	.30	.39
Corn (per bu.) .....	.41	.37	.48	.53	.67
Barley (per bu.) .....	.41	.34	.36	.42	.56
Rye (per bu.) .....	.38	.32	.37	.40	.49
Flax (per bu.)	1.67	1.59	1.58	1.64	2.23
Potatoes (per bu.) .....	.44	.53	.52	.49	.90
Hogs (per cwt.)	7.61	6.23	5.20	8.98	13.01
Beef Cattle (per cwt.)	6.36	6.82	7.21	8.62	10.76
Veal Calves (per cwt.)	7.84	8.26	8.57	10.18	12.34
Sheep (per cwt.)	3.54	3.88	4.10	5.01	6.22
Lambs (per cwt.)	6.91	7.53	7.86	9.25	11.24
Chickens (per lb.) .....	.13	.11	.11	.13	.16
Butterfat (per lb.) .....	.28	.25	.29	.36	.42
Milk (per cwt.)	1.43	1.31	1.46	1.83	2.12
Eggs (per doz.) .....	.19	.15	.16	.22	.29
Wool (per lb.) .....	.19	.22	.28	.34	.39
U. S. Corn—Hog Ratios (No. bu. of corn required to buy 100 lbs. live hogs)	15.8	13.4	9.2	14.2	16.5
Livestock Receipts at South St. Paul					
Cattle	882,236	892,690	942,389	1,060,478	1,116,836
Calves	487,099	480,374	465,485	471,136	503,246
Hogs	2,016,720	2,204,915	2,959,982	2,558,807	3,114,262
Sheep	1,258,492	1,203,959	1,280,348	1,306,163	1,612,240
Storage Holdings (United States)					
Wheat (bu. in elev.) Oct. 1. .	172,141,000	155,862,000	185,488,000	238,701,000	255,945,000
Wheat (bu. on farms) Oct. 1. .	401,411,000	338,658,000	369,447,000	488,311,000	644,503,000
Corn (bu. on farms) Oct. 1. .	353,194,000	555,596,000	548,625,000	474,622,000	423,597,000
Butter (lbs.) Dec. 31.	128,770,000	55,468,000	41,497,000	114,436,000	25,104,000
Cheese (lbs.) Dec. 31.	120,174,000	108,183,000	129,536,000	201,613,000	131,771,000
Beef (lbs.) Dec. 31.	58,187,000	78,988,000	106,990,000	135,478,000	129,019,000
Pork (lbs.) Dec. 31.	430,000,000	467,416,000	656,169,000	468,538,000	488,333,000
Lard (lbs.) Dec. 31.	107,000,000	162,105,000	287,009,000	181,237,000	83,540,000
Grain Sampled by Minneapolis Chamber of Commerce (in bushels)					
Wheat	94,300,000	141,235,000	134,375,000	138,709,000	
Corn	18,069,000	19,655,000	16,206,000	19,166,000	
Oats	26,554,000	21,144,000	32,448,000	45,689,000	
Barley	49,504,000	36,970,000	54,215,000	58,308,000	
Rye	12,586,000	8,763,000	18,939,000	13,351,000	
Flax	12,593,000	16,148,000	19,685,000	23,603,000	
Grain Products Shipped from Minneapolis					
Flour (bbls.)	6,270,498	6,364,600	5,875,925	5,871,250	6,102,655
Mill Stuffs (tons)	306,664	344,725	361,675	400,350	454,300
Linseed Oil (lbs.)	69,060,620	100,860,000	161,810,000	233,900,000	293,040,000
Linseed Meal (lbs.)	87,876,141	153,080,000	271,160,000	409,000,000	491,120,000

¹ December estimated. ² Fourth Quarter estimated. ³ Weekly reporting member banks. ⁴ Weekly reporting county banks excluded.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JANUARY 23, 1943

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

PRODUCTION: Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of non-durable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type buildings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

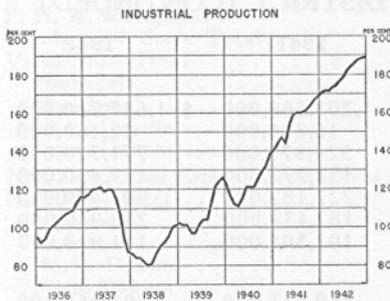
The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

DISTRIBUTION: Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

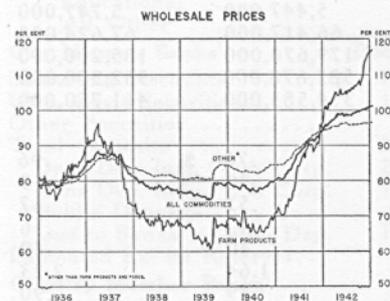
COMMODITY PRICES: Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

BANK CREDIT: Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

UNITED STATES GOVERNMENT SECURITY PRICES: Subsequent to the close of the Victory Fund drive in December, prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.



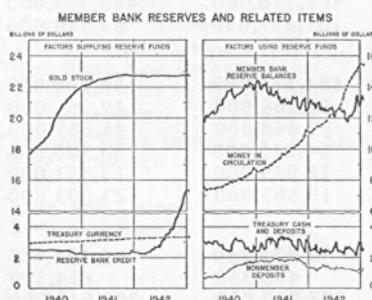
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December, 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ended January 16, 1943.



Wednesday figures. Latest figures shown are for January 13, 1943.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.