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

Vol. 8 ( Serial No. 16 ) Federal Reserve Bank, Minneapolis, Minn. April 28, 1943

**Business activity in March was the highest for that month on record. Bank loans contracted further, while deposits showed no material change. Farm cash income in March was estimated to be 43 per cent greater than for March 1942.**

### BUSINESS

Business volume in the Northwest in March as indicated by our seasonally adjusted indexes continued about the same as in February, but, as in earlier months, was much greater than for the corresponding month one year earlier. The indexes of bank debits both in 94 cities and at farming centers advanced to new all-time highs, while the indexes of sales at city and at country department stores were off sharply from the February peak. Country lumber sales continued at a high level and probably reflect the high incomes received by farmers. Both carloadings indexes were off from last month and from a year ago. Except for the two carloadings indexes, all of the adjusted series pointed to a record business volume for the month of March.

**Northwest Business Indexes**
**Adjusted for Seasonal Variation—1935-39 = 100**

| | March 1943 | Feb. 1943 | March 1942 | Feb. 1942 |
|---|---|---|---|---|
| Bank Debits—94 cities | 178 | 175 | 145 | 119 |
| Bank Debits—farming centers | 189 | 184 | 159 | 131 |
| Country check clearings | 196 | 194 | 168 | 130 |
| City department store sales | 137 | 187 | 124 | 109 |
| City department store stocks | 121 | 121 | 140 | 107 |
| Country department store sales | 154 | 193 | 122 | 113 |
| Country lumber sales | 186 | 181 | 156 | 123 |
| Miscellaneous carloadings | 119 | 135 | 136 | 122 |
| Total carloadings (Excl. misc.) | 94 | 96 | 117 | 103 |
| Farm prices—Minn. | 173 | 163 | 134 | 93 |
| Employment—Minn. (Unadj. 1936=100) | 138 | 134 | 120 | 109 |
| Payrolls—Minn. (Unadj. 1936=100) | 205 | 199 | 164 | 125 |

**Retail sales** at department stores in the Ninth District, following the sharp rise that occurred during the month of February, leveled off somewhat during the month of March and were 10 per cent above March 1943. Country stores showed a gain of 16 per cent over a year ago, whereas reporting stores in Minneapolis, St. Paul, Duluth and Superior showed a gain of but 7 per cent. The dollar volume of sales reported for department stores in South Dakota was 37 per cent greater than a year ago. For the first quarter of 1943 department stores sales in the District show a gain of 18 per cent over the first quarter of 1942.

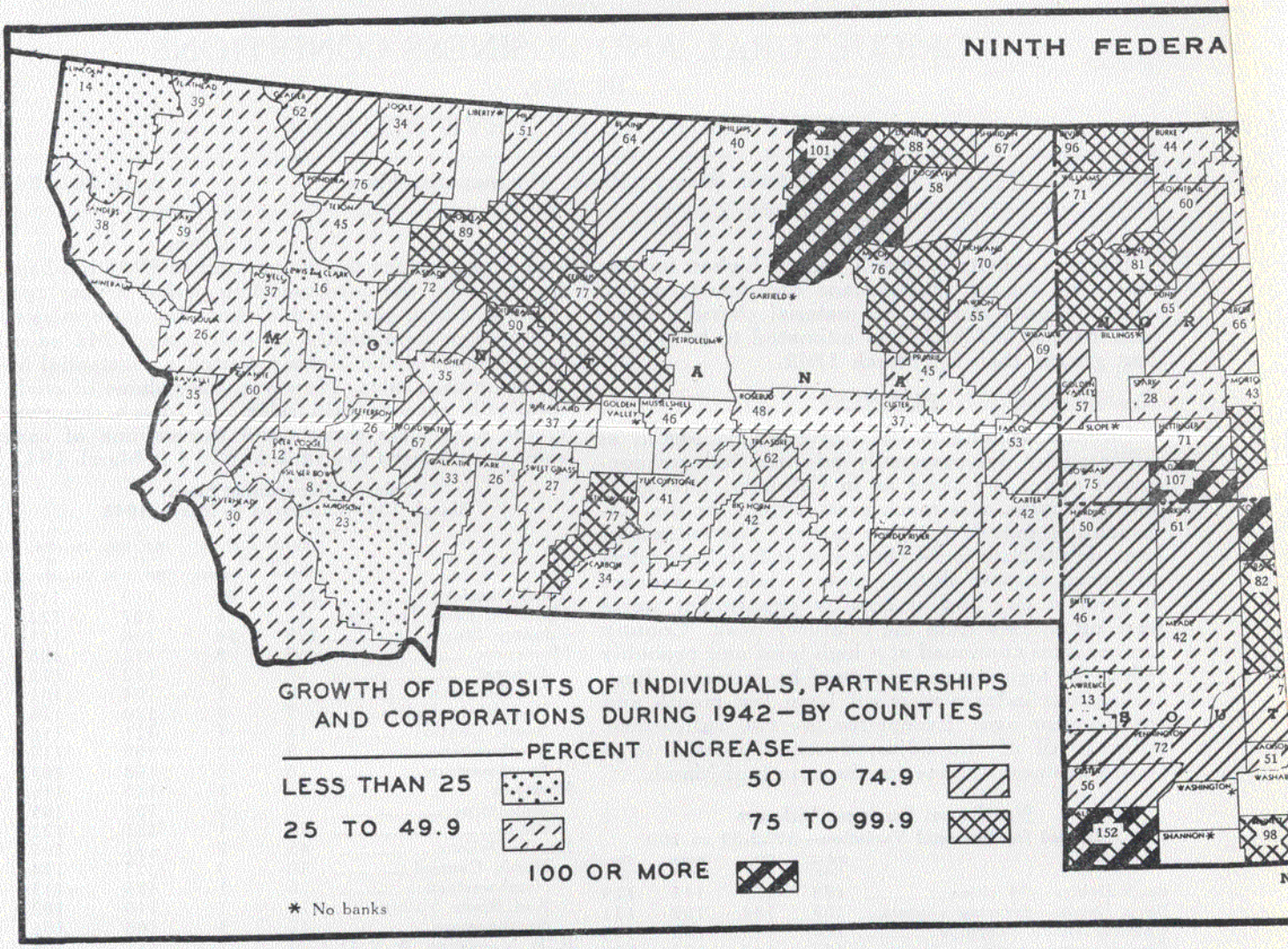
**Furniture sales** in the Northwest in March, according to reporting stores, were 13 per cent above February, but were 5 per cent below March a year ago. The dollar volume of sales in Minnesota, Montana, and Wisconsin for the first quarter of 1943 has been less than for the corresponding period a year ago, while in North and South Dakota furniture sales in 1943 have consistently exceeded the 1942 sales. Stores in all of the States reported a substantial increase in cash sales. However, the volume of credit sales still exceeds cash sales. In March this year credit sales were three times the volume of cash sales as compared to a ratio of 8 to 1 in March 1942.

**Sales at Department Stores**
**March 1943 Compared to March 1942**

| | Number of Stores Showing Increase | Number of Stores Showing Decrease | % Mar. 1943 of Mar. 1942 | % Jan.-Mar. '43 of Jan.-Mar. '42 |
|---|---|---|---|---|
| Total District | 237 | 40 | 110 | 118 |
| Mpls. St. Paul, Dul.-Sup. | 17 | 6 | 107 | 122 |
| Country Stores | 220 | 34 | 116 | 111 |
| Minnesota | 62 | 8 | 111 | 108 |
| Central | 7 | 1 | 112 | 113 |
| Northeastern | 8 | 1 | 104 | 101 |
| Red River Valley | 5 | 0 | 120 | 116 |
| South Central | 17 | 1 | 121 | 116 |
| Southeastern | 9 | 2 | 109 | 110 |
| Southwestern | 16 | 3 | 108 | 105 |
| Montana | 35 | 8 | 115 | 116 |
| Mountains | 7 | 5 | 105 | 105 |
| Plains | 28 | 3 | 121 | 122 |
| North Dakota | 45 | 7 | 111 | 107 |
| North Central | 10 | 0 | 123 | 118 |
| Northwestern | 6 | 1 | 113 | 113 |
| Red River Valley | 15 | 3 | 110 | 102 |
| Southeastern | 12 | 3 | 106 | 106 |
| R. R. V.—Minn. & N. D. | 20 | 3 | 111 | 104 |
| South Dakota | 27 | 2 | 137 | 115 |
| Southeastern | 6 | 1 | 136 | 103 |
| Other Eastern | 13 | 0 | 138 | 123 |
| Western | 8 | 1 | 142 | 145 |
| Wisconsin & Michigan | 51 | 9 | 116 | 112 |
| Northern Wisconsin | 17 | 1 | 121 | 108 |
| West Central Wisconsin | 26 | 5 | 116 | 109 |
| Upper Pen. Michigan | 8 | 3 | 111 | 125 |

### BANKING

**City member banks** during the four-week period ended April 14 reduced their holdings of Government securities by $20 million. All of the decrease was due to a smaller volume of certificates of indebtedness and Treasury bills. On April 14 these banks held $524 million in Government securities compared to $213 million a year ago. In contrast to the expansion of investments held by city member banks, loans to customers have been reduced $21 million since the first of the year, and on April 14 amounted to $184 million as compared to $260 million one year earlier. Deposits of city banks have fluctuated within relatively narrow limits in 1943. U. S. Government deposits were reduced $27 million during the four-week period ended April 14, while deposits of individuals, partnerships, and corporations were increased $16 million.



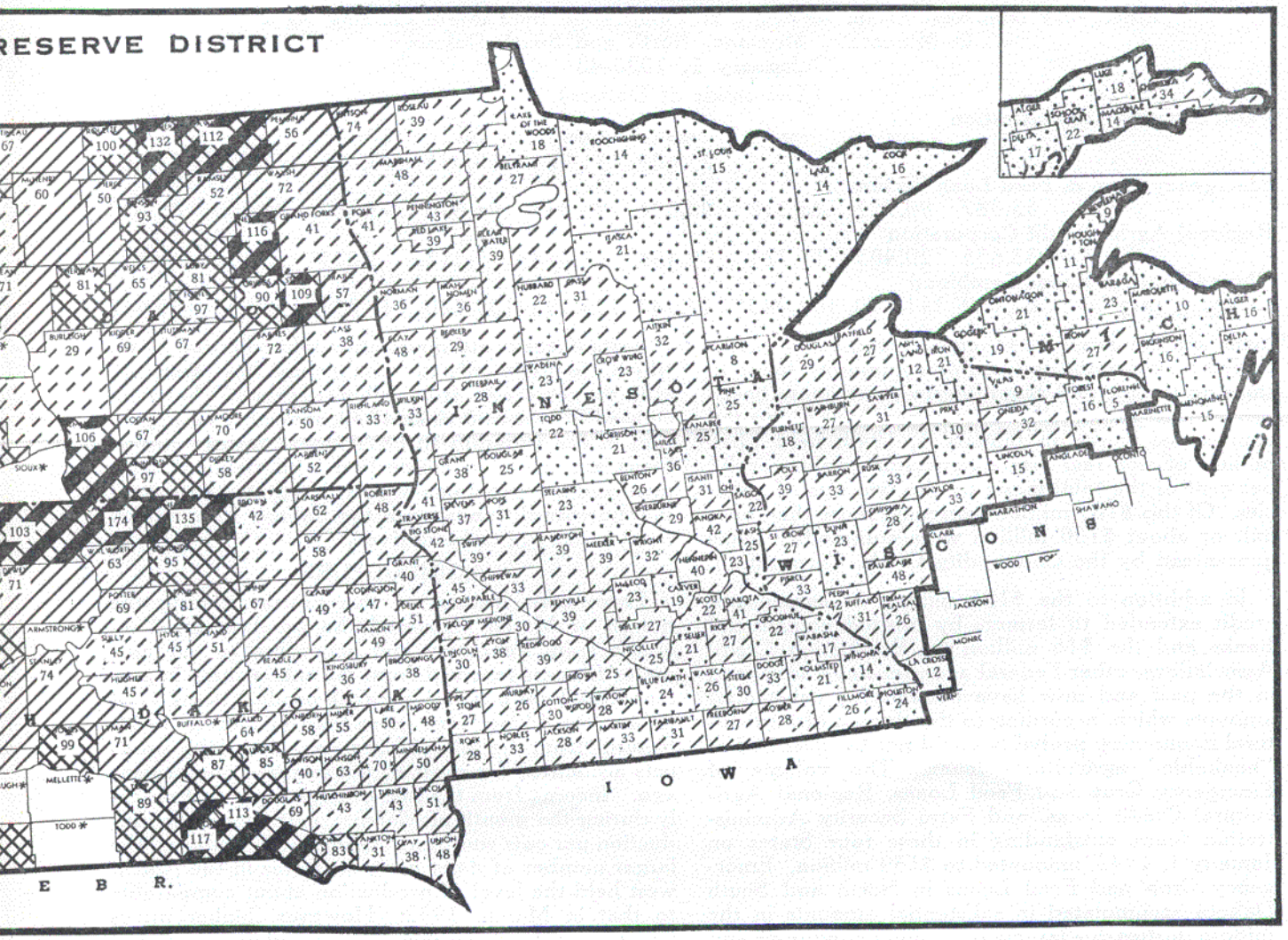

**Deposits of individuals, partnerships and corporations** held by banks in the Ninth Federal Reserve District expanded 34 per cent during 1942. The map above, which shows the growth of deposits by counties, indicates the greatest expansion occurred in North and South Dakota and Montana. The increases of 25 per cent or less in Northeastern Minnesota compare to rises of 25 to 50 per cent in Western and Southern Minnesota, and rises of 75 to 100 per cent or more in some counties in the Dakotas and Montana.

**Country member bank** deposits showed no material change from a month ago, but reserve balances at the Federal Reserve Bank were increased $3.2 million to boost excess reserves to $33.5 million, the largest excess reserve balance held by country member banks since late in 1936. Reserve balances of country member banks during the last half of March averaged $106 million compared to $71 million 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 | $106,199 | $ 72,714 | $ 33,485 |
| City Banks | 163,551 | 154,029 | 9,522 |
| Total Ninth Dist.—1943 | 269,750 | 226,743 | 43,007 |
| Total Ninth Dist.—1942 | 180,166 | 143,571 | 36,595 |

**Short-Term Agricultural Loans.** A tabulation of agricultural loans held by insured commercial banks and by Federal lending agencies in the four complete States included in the Ninth Federal Reserve District shows that commercial banks have provided the major portion of the short-term agricultural credit extended to farmers in the Northwest. Federal agencies during the early and middle thirties granted a large volume of emergency loans in the Dakotas —much of which is still outstanding—and recently the Farm Security Administration has been increasing the volume of its rehabilitation loans, but these two types of loans were largely of the type that banks would not be expected to make. Table I below shows the volume of non-real estate agricultural loans outstanding at insured commercial banks and at Production Credit Associations in Minnesota, Montana, North and South Dakota on January 1,




1935-43, while Table II shows figures for loans now outstanding that were largely of an emergency or relief nature when made.

Since 1937 the proportion of agricultural loans held by insured commercial banks in the four States has steadily increased. On July 1, 1942, when the volume of commodity loans held by banks was at a seasonal low, insured commercial banks held 84 per cent of the short-term agricultural loans outstanding at banks and Production Credit Associations in the States of Minnesota, Montana, and North and South Dakota. As farmers obtained crop

## TABLE I
## NON-REAL ESTATE AGRICULTURAL LOANS HELD BY INSURED COMMERCIAL BANKS AND PRODUCTION CREDIT ASSOCIATIONS
## 1935-43

(Thousands of Dollars)

| | MINNESOTA | | MONTANA | | NO. DAKOTA | | SO. DAKOTA | | FOUR STATES | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ins. Banks | P.C.A. | Ins. Banks | P.C.A. | Ins. Banks | P.C.A. | Ins. Banks | P.C.A. | Ins. Banks | P.C.A. |
| Jan. 1935 | $32,353 | $ 2,263 | $ 9,995 | $ 5,397 | $ 8,736 | $ 752 | $12,660 | $ 766 | $63,744 | $ 9,178 |
| Jan. 1936 | * | 4,628 | * | 5,616 | * | 1,797 | * | 2,470 | * | 14,511 |
| Jan. 1937 | 30,866 | 4,686 | 8,534 | 5,665 | 8,436 | 1,565 | 13,394 | 2,197 | 61,230 | 14,113 |
| Jan. 1938 | 39,932 | 5,947 | 9,638 | 5,895 | 8,788 | 1,651 | 15,828 | 2,536 | 74,186 | 16,029 |
| Jan. 1939 | 49,008 | 5,767 | 13,152 | 6,840 | 10,056 | 938 | 16,329 | 2,731 | 88,545 | 16,276 |
| Jan. 1940 | 61,863 | 5,634 | 17,776 | 7,153 | 18,326 | 772 | 21,334 | 2,990 | 119,299 | 16,549 |
| Jan. 1941 | 81,663 | 6,233 | 23,354 | 7,287 | 28,335 | 1,090 | 26,843 | 3,247 | 160,195 | 17,857 |
| Jan. 1942 | 83,487 | 6,157 | 30,917 | 6,097 | 43,985 | 1,394 | 35,487 | 3,927 | 195,159 | 17,575 |
| Jan. 1943 | 56,400E | 6,041 | 34,200E | 4,671 | 55,300E | 1,403 | 39,400E | 4,266 | 185,300E | 16,381 |

*—Not available. E—Estimate based on member bank reports.

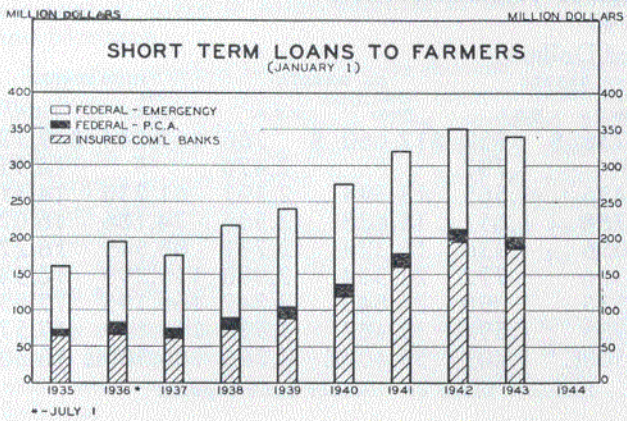
**TABLE II**
**Emergency Non-Real Estate Agricultural Loans Held By Federal Lending Agencies In Minnesota, Montana, North and South Dakota January 1, 1935-43**
(Thousands of Dollars)

| | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
|---|---|---|---|---|---|---|---|---|---|
| **Farm Security Administration** | | | | 23,689 | 31,925 | 39,035 | 43,945 | 45,781 | *51,264 |
| **Emergency Crop & Feed Loan Section** | 53,387 | 90,727 | 88,318 | 94,801 | 96,435 | 94,873 | 93,463 | 91,200 | 86,820 |
| **Regional Agric. Credit Corporation** | 33,635 | 20,403 | 13,725 | 9,458 | 7,238 | 5,312 | 3,825 | 1,957 | 531 |
| **Three Classes of Loans Combined** | 87,022 | 111,130 | 102,043 | 127,948 | 135,598 | 139,220 | 141,233 | 138,938 | 138,615 |

*—July 1, 1942

loans on the large 1942 crop, commercial banks added a substantial volume of commodity loans to their portfolios, and according to an estimate based on reports submitted by member banks, insured commercial banks on January 1, 1943, held $185 million of non-real estate agricultural loans or 92 per cent of the total made by the two sets of agencies. Of this $185 million aggregate more than one-half or about $100 million were commodity loans guaranteed by the Commodity Credit Corporation.

In addition to the $185 million of agricultural credit extended to farmers by insured commercial banks and the $16 million by Production Credit Associations, other Federal agencies have advanced in the past and now have outstanding substantial amounts which, according to the Bureau of Agricultural Economics, probably could not be classified as "bankable" agricultural loans. The volume of Emergency Crop and Feed Loans, Regional Agricultural Credit loans, and Farm Security Administration loans outstanding in these four States on January 1, 1943, amounted to $139 million. Emergency Crop and Feed Loans in North and South Dakota accumulated in substantial amounts in the middle thirties due largely to drought conditions and low farm prices. These loans have been reduced only slightly in the past two years. Loans of the Regional Agricultural Credit Corporations were reduced from $33.6 million in 1935 to about one-half million dollars on January 1, 1943. These agencies have been in the process of liquidation since May 1934, and a large part of their loans have been taken over by Production Credit Associations, banks, and other lenders. Early this year the R.A.C.C. was again authorized to make loans.




Farm Security Administration rehabilitation loans, which are made only to "low income borrowers unable to get credit from other agencies," have increased 58 per cent since 1939, reflecting an expansion in the program to cover more farms. These loans are made in connection with detailed farm management programs which designate the use of the borrowed funds and the source from which repayments are to be derived.

## AGRICULTURE

**Farm cash income** in this District during the month of March registered the usual seasonal increase from February, and according to our estimates farmers received from the sale of nine important crop, livestock and livestock product items $124 million, or 43 per cent more than in March, 1942. Returns from the sale of hogs, eggs and dairy products accounted for most of the increase over a year ago. Income from the sale of eggs expanded sharply during the month of March. Although milk production per cow was less than in March last year, the larger number of dairy cows on farms in the Northwest held the level of production about comparable to that in March, 1942. However, higher prices boosted income from this source to a level estimated to be 34 per cent above a year ago.

The large crop harvested in Montana, North and South Dakota last year materially expanded the 1942 cash crop income of farmers in those States. In each of those three States the cash crop income registered a greater proportionate growth than did income from livestock and livestock products. For example, North Dakota farmers received on an average during the years 1935-39, 46 per cent of their cash farm income from crop sales, while in 1942 crop sales represented 60 per cent of the cash farm income. Income of Montana and South Dakota farmers showed the same shift toward larger proportionate returns from crop sales, while in Minnesota livestock and livestock product sales in 1942 represented a greater share of the farm income than in the years 1935-39. Minnesota farmers in 1942 derived 78 per cent of their cash income from the sale of livestock and livestock products, and only 22 per cent from crop sales.

### Wheat and Corn Loans to Farmers

According to a recent release from the United States Department of Agriculture, 140,535 farmers in Minnesota, Montana, North and South Dakota

received loans from the Commodity Credit Corporation on wheat produced in 1942 which was stored both on farms and in warehouses. One hundred twenty-three million bushels of wheat served as collateral for $138 million advanced to these farmers. On April 10, 16.5 per cent of the wheat loans in the District had been redeemed by farmers. In Minnesota only 6.9 per cent had been liquidated, while in Montana liquidations represented 24.2 per cent of the total.

While the quantity of wheat placed in storage in 1942 was 16 per cent greater than in 1941, the amount of corn placed in storage in this District in 1942 was only 24 per cent as great as in 1941. Farmers in Minnesota and South Dakota, the only two states in this District for which corn loans were reported, were advanced $8.9 million on corn loans in 1941, and but $2.1 million in 1942. For the nation as a whole only 47 thousand corn loans were made on the 1942 crop compared to 100 thousand in 1941. The bushels of corn placed in storage showed a comparable decrease.

**Feed Grain Supplies**

Farmers will soon reach a position where further expansion in livestock numbers must be accompanied by a greater production of feed grains. If feed grain production in the United States this year equals the preliminary estimate based on the March 1 Prospective Planting Report, reserve stocks of all grains will be practically depleted by July, 1944. This assumes no importation of feed grains from Canada, but anticipates release of Government wheat for livestock feed, which may or may not occur.

**The Corn Situation**

According to figures released by the U. S. Department of Agriculture, the corn supply at the end of the 1942 crop season amounted to 3,668 million bushels. The expected consumption for the 1942-43 feeding season was computed at 3,168 million bushels, leaving an estimated carryover of 500 million bushels by the end of 1943. If corn consumption next year were the same as this year's consumption, and if the 1943 corn production should equal the preliminary estimate of 2,850 million bushels, this amount plus the 500 million of carryover would leave a 182 million bushel carryover at the end of the 1943-44 feeding season. However, the estimated consumption of corn this year will be 12 per cent greater than for last year, and in all probability there will be a further increase next year because farmers are feeding more livestock. If farmers feed, in 1943-44, 10 per cent more than in this feeding season, the 1943 estimated corn crop would leave us 135 million bushels short of meeting expected requirements.

**CORN SUPPLY AND CONSUMPTION**

| | |
|---|---|
| On hand in fall of 1942 | 3,668,000,000 Bu. |
| Expected consumption this season | 3,168,000,000 Bu. |
| Carryover in fall of 1943 | 500,000,000 Bu. |
| Preliminary estimate 1943 | 2,850,000,000 Bu. |
| Total supply for 1943-44 season | 3,350,000,000 Bu. |
| Expected consumption 1943-44 season* | 3,485,000,000 Bu. |
| Deficit | 135,000,000 Bu. |

*—Assumes consumption in the 1943-44 feeding season to be 10 per cent greater than estimate for this year.

**The Oats and Barley Situation**

The total supply of oats at the end of the 1942 crop season amounted to 1,553 million bushels. They estimate the consumption for the 1942-43 feeding season to be 1,328 million bushels, leaving a carryover of 225 million bushels in the fall of 1943. If this year's production equals the preliminary estimate of 1,180 million bushels, this amount plus the 225 million carryover gives a supply 77 million bushels greater than the expected consumption for this feeding season. If the consumption next year is 10 per cent greater than this year, an average crop will leave us short by 56 million bushels.

If barley production in 1943 should equal the preliminary estimate, and if disappearances in the 1943-44 feeding season were increased 10 per cent over this year, there would exist a net surplus of 9 million bushels.

**The Feed Wheat Situation**

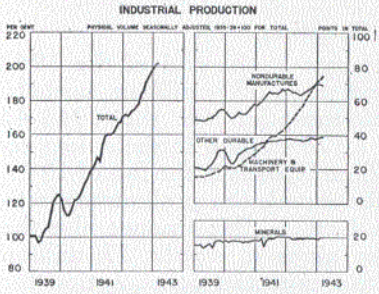
The U.S.D.A. reports that "the disappearance of wheat in 1942-43 promises to be the largest since 1920, and the total domestic disappearance is expected to be the largest in history." "Total disappearance in 1943-44 is expected to be considerably larger than in 1942-43, so that even after allowing for a sizeable crop in 1943 the carryover at the end of the 1943-44 season would be substantially less than on July 1, 1942." During the past year the Government released 125 million bushels of wheat for livestock feed. Late in March another 100 million bushels were released for this purpose. Substantial quantities were also used for alcohol production. These factors have been largely responsible for the increased domestic disappearance of wheat. If the 1943 crop equals the preliminary estimate of 794 million bushels of wheat, this amount would be 400 million bushels short of the expected disappearance in 1943-44, therefore practically all of the estimated carryover of about 650 million bushels on July 1, 1943, will be needed to balance the 1944 deficit feed supplies mentioned above in the case of corn, oats, barley, and wheat.

**Foreign Supplies**

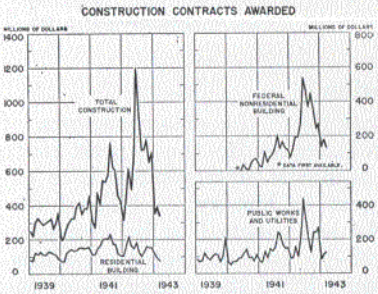
It will, of course, be possible for farmers in the United States to draw from the estimated 300 million bushels of barley and oats in excess of domestic needs in Canada. Excluding importation of feed grains from Canada, yields in 1943 that are equal to the preliminary estimates add up to but one conclusion—feed supplies on July 1, 1944, will be very scant.

**Crop Prospects**

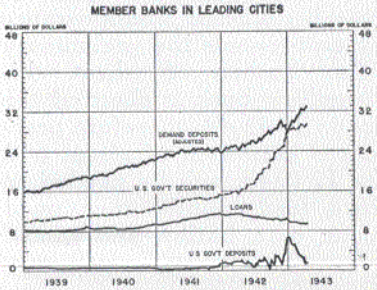
The preliminary estimates of grain crop production in 1943 have been revised downward because of delayed planting in the Northwest and generally dry conditions prevailing in the Southwest. Reports out of the Dakotas and Montana indicate that ample top and subsoil moisture exists in the spring wheat area. Because of excess moisture in this Northwest region, it now seems probable that more of the crop will have to be seeded following less intensive soil preparation than in past years.



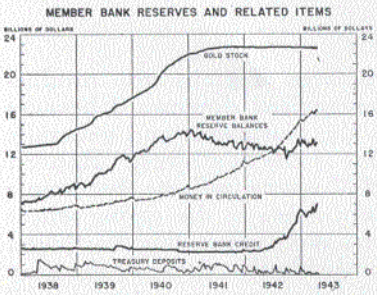

Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for March 1943.




F. W. Dodge data for 37 Eastern states, total includes state and local government and private nonresidential building not shown separately. Monthly figures, latest shown are for March 1943.




Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for April 14, 1943.




Wednesay figures, latest shown are for April 14, 1943.

# National Summary of Business Conditions

## COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 22, 1943

**Industrial activity increased slightly in March and prices of commodities advanced further. Retail trade in March and the first half of April was in large volume, although reduced from the February peak.**

**INDUSTRIAL PRODUCTION:** The Board's seasonally adjusted index of industrial production advanced from 202 per cent of the 1935-39 average in February to 203 in March. The rise in total output continued to reflect chiefly increased production in the machinery and transportation equipment industries producing armaments. At merchant shipyards 146 ships were delivered in March. Completions totaled 1,516,000 deadweight tons, an annual rate of more than 18,000,000 tons.

Steel mills operated at peak levels. Production of lumber, however, increased less than usual in March, continuing the gradual downward trend of production which began a year ago.

Output of fuels reached a new peak in March. Bituminous coal production rose further. Crude petroleum output likewise exceeded the February level as new pipeline facilities for transport of petroleum products to the East Coast were completed.

Output of important nondurable manufactures was maintained in March. In most branches of the wool textile industry production increased to new high levels in February and March following a Federal order allowing an increase in wool consumption for the manufacture of civilian fabrics.

The value of construction contracts awarded in March, according to figures of the F. W. Dodge Corporation, continued at a level considerably lower than that for the year 1942, reflecting chiefly the fact that the construction phase of the war program has been largely completed. Awards for residential building declined for the third consecutive month, while contracts for public works were higher than in February.

**DISTRIBUTION:** Retail sales, which generally increase from February to March, showed little change this year, following the buying wave that swept the country in February. At department stores, where increases in February had been particularly marked, sales declined in March and the Board's seasonally adjusted index dropped from 167 to 135 per cent of the 1923-25 average. Despite this decline, the index continued above the high level that prevailed in the latter part of last year. In the first half of April department store sales increased by about the usual seasonal amount, making allowance for the late date of Easter this year.

Total carloadings of revenue freight in March remained at the February level and other transportation activity was also maintained in large volume.

**COMMODITY PRICES:** Wholesale commodity prices averaged higher in March and the early part of April reflecting advances in prices of farm products, foods, and a number of industrial commodities. Prices in retail markets also increased further from February to March, with relatively sharp advances in food prices.

On April 8 an Executive Order was issued directing that ceiling prices be placed on all commodities affecting the cost of living, that further increases in ceilings be prevented except to the minimum extent required by law, and that excessively high prices be reduced. Following this and announcements of particular Federal actions to safeguard the stabilization of prices, including an order reducing railroad freight rates, wholesale prices of some commodities declined and on April 16 were lower than at the beginning of the month.

**BANK CREDIT:** Excess reserves at all member banks, which decreased during the latter half of March from 2.2 billion dollars to 1.5 billion, subsequently rose to 2.6 billion on April 19. In the first week of April, the increase resulted largely from substantial Reserve Bank purchases of Government securities; subsequently excess reserves were made available by a decline of a billlon dollars in required reserves, which resulted primarily from large payments to war loan accounts for Government securities sold to bank customers. This caused a shift from customers' deposits, subject to required reserves, to Government deposits which have recently been exempted from such requirements.

Government security holdings at reporting banks in 101 leading cities increased substantially during the first two weeks of April following declines in the latter part of March, which had resulted mainly from bill sales by banks in New York and Chicago. Holdings of certificates, notes, and bonds increased over the 4-week period ended April 14. Commercial loans at all reporting banks declined by about 210 million over the 4-week period. At New York City banks loans to brokers and dealers increased steadily over the period, especially in the week of the 14th at the beginning of the War Loan Drive. Deposits, other than those of the United States Government, increased further in March and the early part of April, but were drawn down sharply around the middle of April to make payments for purchases of new Government securities.