

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 33)

Federal Reserve Bank, Minneapolis 2, Minn.

September 28, 1944

Income Payments in Ninth District

The income received by consumers in the Ninth District increased significantly during 1943. According to figures released by the United States Department of Commerce, individuals in the four States of Minnesota, Montana, North and South Dakota were paid 17.6 per cent more income during that year than in 1942.⁽¹⁾ After an allowance is made for increased taxes, the additional income was at the disposal of individuals either to be placed into savings or to be spent in consumer markets.

As compared with the rise in income payments over the entire United States, the expansion in payments for the Ninth District was 2.4 per cent below the average. In the Far West and in the Southwest where there is a great concentration of war industries, income payments were reported approximately 30 per cent larger than in 1942. Likewise, a rise in income significantly above the nation's average occurred in the Southeastern States.

A comparison in the expansion of income among the four States in the Ninth District indicates that the people in North Dakota received the largest increase, 25.8 per cent, over the 1942 figure. The individuals in Minnesota and South Dakota received increases of 18.1 and 15.1 per cent respectively which approximate the average for the District. The smallest increase in income of 10.4 per cent occurred in Montana.

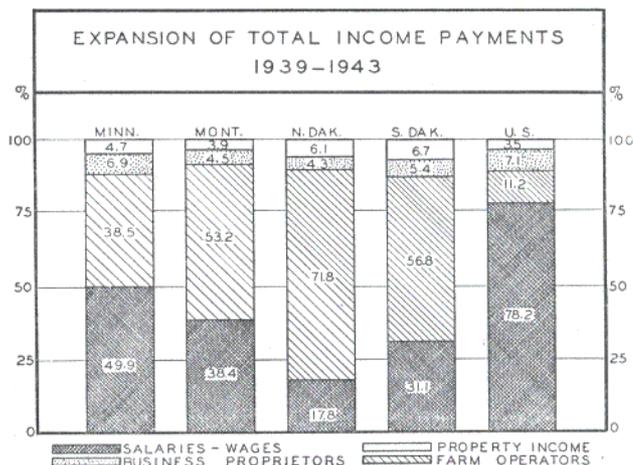
When a longer perspective is taken of the upward trend in income, it is evident that the expansion among the four States has been quite uniform over the past decade. Of the aggregate income received by the individuals in the four States, the people residing in Minnesota received approximately the same proportion during the past year as they did for 1929 or for 1941. Although temporarily the aggregate income in one State tends to rise faster than in another, over a period of years the differences are ironed out. According to this evidence, prosperity in one area of the Ninth District tends to diffuse throughout the entire District.

The per capita income in this District rose faster than is revealed by the totals for the States. Significant shifts in population have taken place during the war years. Since there are relatively fewer war industries in this area as compared with other sections of the United States, there has been a steady

movement of labor out of the four States. When this factor is taken into consideration, the income received by individuals in both North Dakota and Minnesota rose faster during the past year than for the entire nation. The per capita income in the United States was 20.2 per cent larger for 1943 as compared with the preceding year. For the two States mentioned above, the per capita income was larger by 35.8 and 22.0 per cent respectively. In Montana and in South Dakota the increase was at a smaller rate of 17.3 and 16.9 per cent respectively.

State	Per Capita Income For 1943
Montana	\$1,029
North Dakota	971
Minnesota	916
South Dakota	846
United States	1,031

Although the per capita income for Montana expanded less rapidly during 1943 as compared with comparable figures on income in North Dakota and in Minnesota, the individuals in the former State, as may be observed in the following table, nevertheless, enjoyed the highest absolute amount of per capita income in the District. Since the latter part of the Thirties, Montana has led the other three States. Minnesota generally has ranked second. However, for 1943 the per capita income for North Dakota exceeded the amount for Minnesota. An explanation, very likely, is found in the favorable agricultural prices and in the large crop yields.



The source of the larger individual incomes is of primary interest. The above chart shows the relative proportion that four major sources contributed to

(1) Figures are not available for the portion of Michigan and Wisconsin included in the Ninth Federal Reserve District.

the expanding aggregate individual incomes in the four States of the Ninth District and in the United States from 1939 to 1943.

As may be observed on the chart, the rise in farm income in three of the States of this District added more to the total income than the combined increase in salaries, wages, business proprietors' income and property income. In North and South Dakota, 71.8 per cent and 56.8 per cent of the rise in total income for the respective States is attributable to greater farm incomes. In Montana the higher farm incomes accounted for slightly over one-half, 53.2 per cent, of the total. However, in Minnesota the expanded farm incomes constituted only a little over one-third, 38.5 per cent, of the rise in the State total. A comparison of these percentages with the 11.2 per cent which farm incomes in the nation contributed to the aggregate total reveals the paramount importance of rural income in the Ninth District.

The expanded payrolls of a large number of industrial firms in the Twin Cities and in other urban centers in Minnesota busily engaged in the production of war materials contributed one-half of the greater total income of the State. In the other three States of the District, the larger payrolls were decidedly less important. For the United States as a whole, the enlarged employee income constituted over three-fourths of the rise in aggregate income.

The larger incomes received by business proprietors in this District from 1939 to 1943 were somewhat less significant in the State totals than they were in the total for the United States. The expansion in this type of income contributed from 4.3 per cent in North Dakota to 6.9 per cent in Minnesota of the respective additional State incomes, whereas, for the entire nation it constituted 7.1 per cent of the aggregate increase.

Property income which consists of dividends, interest, net rents and royalties has played a role in the larger incomes enjoyed by individuals in this District. In South Dakota the increase in this type of income from 1939 to 1943 comprised 6.7 per cent of the total expanded income for the State. In North Dakota it constituted 6.1 per cent of the additional total income. Property income in Minnesota and in Montana expanded less as compared with the former States but it, nevertheless, was above the per cent for the nation. The rental value of agricultural land has tended to follow the upward trend of farm product prices. This may account for the rapid increase of property income over the District.

A comparison of the average annual compensation paid to employees in selected industries located in the Ninth District during the two years of 1939 and 1943 reveals striking differences in the increases received by employees over the five-year period. In the contract construction industry the average annual compensation paid to employees during 1943, as may be observed by the per cents of increase in the table, were more than double the amount paid during 1939 in three of the four States. On the other hand, the average annual compensation paid to employees in the trades increased from less than one-fifth to one-third over the same period of time. In the industries producing war materials, employees enjoyed a larger increase in wages than they did in industries producing civilian goods. This differential, in large part, may be the result of overtime payments in the former industries.

Among the four States in the District, there is a significant difference in the rise of the average annual compensation paid to employees. From 1939 to 1943 salaries and wages paid to employees in Minnesota increased by 52.2 per cent of the amount

A Comparison of the Average Annual Salary or Wage by Selected Industries* in the Ninth District and in the United States for 1939 and 1943

	Years & % Increase	Minnesota	Montana	North Dakota	South Dakota	United States
Manufacturing						
	War Industries	1939 \$1,571	\$1,956	\$1,378	\$1,438	\$1,524
	1943	2,667	2,746	2,026	2,166	2,745
	% Increase	69.8	40.4	47.0	50.6	80.1
Non-War Industries	1939	1,421	1,404	1,202	1,260	1,250
	1943	1,860	1,873	1,575	1,711	1,804
	% Increase	30.9	33.4	31.0	35.8	44.3
Total Manufacturing	1939	1,458	1,562	1,210	1,267	1,359
	1943	2,258	2,162	1,595	1,738	2,351
	% Increase	54.9	38.4	31.8	37.2	73.0
Other Industries						
	Mining	1939 1,599	1,610	1,223	1,830	1,375
	1943	2,407	2,600	1,993	1,964	2,179
	% Increase	50.5	61.5	63.0	7.3	58.5
Contract Construction	1939	1,072	1,134	965	947	1,316
	1943	2,239	2,292	1,856	2,016	2,565
	% Increase	108.9	102.1	92.3	112.9	94.9
Trade	1939	1,148	1,171	1,117	1,017	1,285
	1943	1,529	1,378	1,423	1,289	1,678
	% Increase	33.2	17.7	27.4	26.7	30.6
All Industries	1939	1,263	1,322	1,135	1,154	1,361
	1943	1,922	1,840	1,488	1,494	2,135
	% Increase	52.2	39.2	31.1	29.5	49.5

* Source: Adapted from a table released by the U. S. Department of Commerce, Survey of Current Business, August, 1944, p. 15.

paid during 1939 while in the other three States the comparable increases ranged from 29.5 to 39.2 per cent of the respective 1939 figures. A smaller proportion of the total productive resources devoted to the industrial production of war materials may account for a lesser rise in this type of income.

Significant differences are observed between the rise in employee compensation in the four States and in the United States as a whole. In industries producing war materials and in those producing civilian goods, salaries and wages rose less in this District. The increase in compensation paid to em-

ployees in mining was significantly less in Minnesota and somewhat more in Montana and North Dakota than the average rise for the nation. In South Dakota the increase in this field was insignificant. Contract construction workers received larger increases than the average over the nation. The additional income paid to employees in trades was above the national average in Minnesota and decidedly below in the other three States. As a whole, salaries and wages increased more in Minnesota and less in the other three States as compared with the figure for the United States.

The stability which has characterized business activity in the Ninth District continued through August. Some changes occurred between rural and urban areas. Country department store sales increased while city store sales remained steady. Farmers' cash income is 15 per cent higher for the first half of this year as compared with the corresponding period of last year.

BUSINESS

Bank debits which are the amount of checks charged by banks against the deposits of individuals, firms, corporations, and government units declined during August. As compared with the corresponding month of last year, they are still higher which is indicative of the larger volume of business transacted this year.

Whereas bank debits increased slightly in the urban centers, in the farming centers over the Ninth District they decreased by 2.6 per cent for August as compared with the previous month. The decline was universal among the rural regions. However, it was concentrated somewhat in two of the farming regions in the District: in the beef and pork-raising area which is located in the southwestern corner of Minnesota and the southeastern section of South Dakota, and in the wheat and mixed farming area located in the central and eastern part of North Dakota and the northeastern section of South Dakota. In all of the agricultural areas, with the exception of the beef and pork-raising region mentioned above, the daily average bank debits are still significantly above the average for the corresponding month of last year.

In the mining and lumber areas scattered over the District, the daily average bank debits declined noticeably for August as compared with the preceding month. The average however is still equal to the figure recorded for the same month of last year.

Department store sales as well as bank debits tend to reflect the general business stability. The index number for city department stores in the District adjusted for the normal monthly variation in the dollar volume of business was one point higher for August as compared with July. A marked increase of 15 points over the previous month occurred in the index number for country department stores. The August figure, however, is still 10 points below the number for the city stores.

SALES AT DEPARTMENT STORES

	Number of Stores		% August	% Jan.-Aug.
	Increase	Showing Decrease	1944 of August 1943	1944 of Jan.-Aug. 1943
Total District	258	35	116	109
Mpls., St. Paul, Dul.-Sup....	20	1	116	109
Country Stores	238	34	116	109
Minnesota	67	12	114	107
Central	7	2	118	116
Northeastern	7	0	113	101
Red River Valley.....	5	0	117	110
South Central	17	3	112	108
Southeastern	13	1	116	108
Southwestern	18	6	110	104
Montana	34	4	117	110
Mountains	11	1	119	109
Plains	23	3	116	111
North Dakota	49	2	126	117
North Central	10	1	124	116
Northwestern	6	0	135	121
Red River Valley.....	17	0	128	117
Southeastern	14	1	118	114
Southwestern	*	*	—	—
Red Riv. Val.-Minn. & N.D.	22	0	126	115
South Dakota	40	8	115	108
Southeastern	10	3	109	105
Other Eastern	24	3	121	111
Western	6	2	110	104
Wisconsin and Michigan.....	48	8	112	104
Northern Wisconsin	15	1	114	108
West Central Wisconsin	25	6	111	105
Upper Pen. Michigan.....	8	1	116	95

*Not shown, but included in totals. Insufficient number reporting.

As compared with August of a year ago, the dollar volume of sales during the past month was 16 per cent larger over the District. The stores in North Dakota reported the largest expansion in sales of 26 per cent. The stores in the other States reported an increase very close to the average for the District.

Merchandise stocks on hand at department stores at the end of August were somewhat larger than at the end of July. According to the index which is adjusted for the normal monthly variation in the

amount of stock maintained, the dollar volume was increased by 5 points during the past month. The stocks on hand now are larger than a year ago but they nevertheless constitute a smaller ratio of the increased sales.

Lumber retailers reported stocks on hand at the end of August of about the same amount as they had at the end of the previous month. The manufacturers, however, reported a 15 per cent increase.

Retail furniture dealers over the District have maintained their stocks during the past two months. As compared with a year ago, the stocks of stores located in the large urban centers are about one-fourth smaller. In the smaller trading centers, the volume of stock held last year has been maintained and in some instances even increased slightly.

The civilian share of the national product, it is anticipated, will increase gradually. According to the United States Department of Commerce,⁽¹⁾ the portion of total industrial production devoted to the output of civilian goods reached the lowest point during the second and third quarters of 1943. Since that time, the portion civilian goods constitutes of the total has remained quite constant. During more recent months, the aggregate amount of civilian goods as compared with the output of war materials has increased slightly. With increased efficiency in the production of war materials resulting from the application of mass production techniques, more resources are freed for other uses. These resources, it is expected, will be used to augment the production of civilian goods.

Consumer credit in the District has expanded slightly. Twenty-five commercial banks reported an increase of 1.9 per cent in the amount of loans outstanding at the end of August as compared with the end of the previous month. The additional volume of loans outstanding was distributed among repair and modernization loans, personal instalment cash loans, and direct retail instalment loans drawn up for commodities other than automobiles. The amount of automobile loans outstanding declined as compared with the figure reported for the previous month.

Personal finance companies, industrial banks, and state and federal chartered credit unions reported a slight decline in the volume of loans outstanding.

The volume of retail credit sales this summer tends to exceed that of last year. Department store charge accounts and notes receivable during the month of July were 3 per cent larger. Collections on the amount of charge accounts outstanding were 1 per cent greater as compared with the same period of last year. Since aggregate sales over the same period were 9 per cent larger, purchases made on credit now constitute a much smaller proportion of the total.

Lumber dealers reported a 10 per cent increase in charge accounts and notes receivable at the end

of July as compared with last year. Collections as a per cent of the volume of credit outstanding are now significantly larger than they were formerly.

Furniture dealers reported a noticeable decline in credit and instalment sales. Cash sales increased by a comparable amount, for the dollar volume of total sales for the first seven months of this year approximately equaled those of the corresponding period of 1943.

Iron ore shipments from the Lake Superior region have declined some. The gross tons shipped during August were 4.8 per cent less as compared with the previous month.⁽²⁾ As compared with August 1943, the shipments have fallen off by 13 per cent. The downward trend in ore shipments was anticipated by officials in the industry. The government is placing fewer orders for steel, which has lessened the demand for iron ore.

Copper mining activity has declined. The monthly output this year has been consistently lower than a year ago. During August, 4 per cent less refined copper was produced by companies in the District as compared with the same month of last year.

Employment in Minnesota reflects the general stability in the economy. During January of this year the number of individuals employed in non-agricultural pursuits was 140.8 per cent of the 1936 monthly average. In the succeeding months there was a slight decline but for June the number employed was again over 140 per cent of the former average. The index for August was 141.

NORTHWEST BUSINESS INDEXES

Adjusted for Seasonal Variation—1935—1939=100

	August 1944	July 1944	August 1943	August 1942
Bank debits—93 cities.....	175	185	174	140
Bank debits—farming centers.....	191	196	181	159
City department store sales.....	178	177	153	131
City department store stocks.....	168	163	160	171
Country department store sales...	168	153	145	135
Country lumber sales.....	115	134	126	181
Miscellaneous carloadings	120	117	109	128
Total carloadings (excl. mise.)	127	135	137	131
Farm prices—Minn. (unadj.)	177	175	173	141
Employment—Minn. (unadj. 1936=100)	141	143	152	130
Payrolls—Minn. (unadj. 1936=100)	237	234	240	184

Since March of this year fewer individuals have been employed in Minnesota industries as compared with the preceding year. Most of the decline has taken place in the manufacturing industries. For example, during the past month approximately 8.0 per cent less individuals were employed in such industries as compared with the number during the same month of 1943. The decline in employment among the retail trades has been slight.

A smaller number of individuals employed in manufacturing establishments has not resulted in a

(1) Survey of Current Business, July, 1944, pp. 2 & 3.

(2) Percentages are based on figures published in Skilling's "Mining Review," September 9, 1944, p. 1.

decreased volume of finished products. The rapid production of military equipment in 1942 and 1943 did not permit the utilization of large-scale production economies. The primary objective was the production of war materials in the minimum amount of time. Now that production quotas have been met, it has been possible to organize facilities more effectively. As a result, as many or even more products are turned out now with a smaller number of employees. According to a study made by the U. S. Department of Commerce,³ the output per wage earner in industries producing war materials has increased approximately 16 per cent since July 1943.

According to a recent report released by the War Manpower Commission, the industrial areas in the Ninth District, with one exception, were classified as areas where the available labor supply substantially meets the demand for essential production or where a moderate labor surplus currently exists or is anticipated. Great Falls, Montana was classified into the group of areas where labor shortages exist which may endanger essential production. Although this District has been a labor supply region, there has been a shortage of workers to fill particular types of jobs. Recently, a shortage has developed for skilled workers in war plants. A recruiting drive has been launched in other regions to secure such employees.

(3) Survey of Current Business, August, 1944, p. 3. The output of firms in the following fields was studied: Iron and steel and their products; nonferrous metals and their products; machinery, including electrical, transportation equipment (including automobiles); chemicals and allied products, and rubber products.

BANKING

Treasury operations to finance the prosecution of the war continued to dominate banking and credit conditions. During the Fifth War Loan drive as the government accumulated funds, the deposits of individuals, partnerships and corporations declined.

Daily Average Reserve Position for All Ninth District Member Banks for the Sixteen-Day Period Ending August 31, 1944

Type of Bank	Average Reserves Carried	Average Reserves Required (Thousands of \$)	Average Excess Reserves
Reserve city banks.....	\$146,028	\$142,815	\$ 3,213
Other city banks	20,812	18,883	1,929
Total city banks.....	166,840	161,698	5,142
Total country banks.....	143,391	114,017	29,374
Total Ninth District—1944.....	310,231	275,715	34,516
Total Ninth District—1943.....	280,384	246,814	33,570

Statement of 20 City Ninth District Member Banks

Assets	July 12, 1944 (Thousands of \$)	Sept. 13, 1944	% Change
Cash and due from banks	\$ 330,404	\$ 341,107	+ 3.2%
Loans and discounts.....	193,921	188,385	— 2.9
U. S. Government securities	830,775	809,469	— 2.6
Other investments.....	88,263	81,046	— 8.2
Miscellaneous assets.....	14,174	15,948	+ 12.5
TOTAL	\$1,457,537	\$1,435,955	— 1.5
Liabilities			
Demand deposits.....	\$ 562,860	\$ 636,649	+ 13.1
Time deposits	145,139	152,361	+ 5.0
War loan deposit accounts	319,512	201,056	— 37.1
Other deposits	347,952	362,405	+ 4.2
Total deposits.....	1,375,463	1,352,471	— 1.7
Miscellaneous liabilities	5,852	6,638	+ 13.4
Capital accounts.....	76,222	76,846	+ .8
TOTAL	\$1,457,537	\$1,435,955	— 1.5

AGRICULTURE

Farmers' cash income in the Ninth District during the first half of 1944 was estimated at 15 per cent above the first half of 1943 and almost three times as high as the first six months' period for the 1935-1939 average.

The increase in farm cash receipts over the first half of 1943 was greatest in Montana—35 per cent. This compares with 28 per cent increase in North Dakota, 18 per cent in South Dakota, and 8 per cent in Minnesota. For the United States as a whole the increase was 11 per cent. Unusually heavy marketings of meat animals were responsible for a large part of the increase in cash receipts in nearly

all states during the first half of the year. Income was also high from the sale of wheat in Montana, the Dakotas, and other wheat States. Many farmers did not market a substantial part of their 1943 wheat crop until the new crop was about made. Cash farm income for the year for the States in this District promises to compare very favorably with the record cash income of 1943. A grain crop larger than last year has been harvested, livestock marketings apparently will continue above average, and prices are about as high as a year ago on most farm commodities.

January-June Cash Farm Income⁽¹⁾

State	1935-1939 Average	1943 (Thousands of Dollars)	1944	1944 in per cent of 1943
Minnesota	\$154,557	\$385,579	\$417,069	108%
North Dakota.....	37,444	102,172	130,405	128
South Dakota.....	45,700	134,155	157,689	118
Montana	26,448	58,783	79,183	135
Total, Ninth Dist. ⁽²⁾	\$301,082	\$768,612	\$882,224	115%

(1) Data from "The Farm Income Situation", United States Department of Agriculture.

(2) Includes 15 counties in Michigan and 26 counties in Wisconsin.

Prices received by farmers in the Ninth District during the month ended August 15 were fairly steady. Some price declines were registered in the grains during the month but milk, egg and hog prices and prices for the better grades of beef were slightly higher. The mid-August index of prices received by all farmers was 193 per cent of the August 1909-July 1914 average. This is one point above a year ago and the highest August level since 1920 according to data made available by the Bureau of Agricultural Economics.

Average Prices Received by Farmers⁽¹⁾

Commodity and Unit	Ninth District		Parity Prices? United States August 15, 1944
	August 15 1937-1941 Avg.	August 15 1944	
Crops			
Wheat, bushel	\$.69	\$ 1.32	\$ 1.50
Corn, bushel .....	.56	1.01	1.09
Oats, bushel .....	.24	.62	.678
Potatoes, bushel .....	.63	1.37	1.23
Livestock and Livestock Products			
Hogs, 100 lbs.....	\$ 8.04	\$13.30	\$12.40
Beef cattle, 100 lbs.....	7.44	11.63	9.21
Veal calves, 100 lbs.....	8.70	13.02	11.50
Lambs, 100 lbs.	7.94	11.52	10.00
Milk, wholesale, 100 lbs.	1.47	2.71	2.67
Butterfat, lb. ....	.29	.52	.425
Chickens, live, lb. ....	.129	.214	.194
Eggs, dozen .....	.171	.302	.362

(1) Data compiled from "Agricultural Prices", United States Department of Agriculture.

(2) Parity prices are so calculated as to give agricultural commodities a purchasing power equivalent to purchasing power in the base period, usually August 1909-July 1914.

Parity prices of agricultural products have held steady since June at the highest level in 19 years

according to the Bureau report. The ratio of prices received to prices paid by farmers is now about 110 compared with 86 for the 1935-1939 average and around 50 at the bottom of the depression. The parity ratio at 110 is about seven points below the peak reached a year ago in April and reflects an increase in prices paid by farmers as well as a slight decrease in prices received by farmers on products sold.

The demand for farm products continues at high levels in spite of a gradual decline in industrial production since the peak in November 1943. Total non-agricultural income payments have continued to increase in recent months in spite of a 3 per cent decrease in non-agricultural employment since November 1943. It is the increased income payments per worker that has tended to maintain and strengthen the domestic demand for farm products. However, it is not likely that non-agricultural income payments will increase much further if industrial production continues to decline.

Crop production in the Ninth District during 1944 is estimated larger than last year and the largest of any other year except 1942. The corn, oats and wheat crops are all larger than last year but the barley, rye, and flax crops are smaller (see table below).

Unusually abundant rains during August over much of the District boosted the prospects for corn and late feed crops. For the country as a whole the net effect of changes during August was to improve crop prospects about 2 per cent so that production now seems likely to be above that in any past year except 1942 and within 2 per cent of the all-time record set in that outstandingly favorable season. Forecasts based on conditions reported September 1 indicated aggregate crop production about 4 per cent above production last year, and 22 per cent above the 1923-1932 "pre-drought" average according to the September 1 Crop Production Report of the United States Department of Agriculture. In parts of this District, particularly North Dakota and the extreme eastern part of Montana, rains and damp cloudy weather in early September have delayed threshing and in some areas harvesting of grain. As a result quality is poor and some reduction in yields may possibly occur. The United States corn crop is now estimated at 3,101 million bushels which is 172 million bushels larger than the August 1 estimate and will be the largest of any year except 1942. The chief need at the present time is for a late frost.

Range conditions are good to excellent in practically all parts of the Ninth District. Conditions of pastures and the supply of range feed is reported as better than a year ago in areas east of the Rockies. West of the main range feed conditions are reported below average as a result of continued dry hot weather. Good to excellent pastures, hay, and feed crop conditions are reported in almost all parts of the Central and Northern Great Plains area.

1943 and 1944 Crop Production in the Ninth District⁽¹⁾

	(In Thousands of Bushels)					
	Wheat	Corn	Oats	Earley	Rye	Flax
	1944 ⁽²⁾					
Minnesota	22,566	223,402	167,720	15,561	1,332	7,416
North Dakota	168,995	30,675	82,994	61,617	2,838	8,192
South Dakota	38,557	117,920	96,855	27,760	4,566	2,655
Montana	79,762	3,800	16,669	17,600	341	2,048
	309,880	375,797	364,238	122,538	9,077	20,311
	1943					
Minnesota	18,008	215,468	142,791	22,718	1,538	15,456
North Dakota	154,156	25,335	70,924	63,648	4,014	15,052
South Dakota	32,057	79,718	70,500	35,343	5,220	4,726
Montana	74,335	3,230	18,760	15,939	415	4,544
	278,556	323,751	302,975	137,648	11,207	39,778

(1) Source "Crop Production", United States Department of Agriculture.

(2) September 1 estimates, United States Department of Agriculture.

Sheep and lambs are generally in good condition in the sheep grazing areas in the District. One of the bankers in the Great Falls area who follows the livestock situation closely reported that feed conditions are excellent and that most lambs will go out in excellent condition this fall. He states further that because of favorable range and forage prospects there seems little difficulty in taking care of sheep numbers in good shape during the coming winter season. Montana is second in the nation in the production of sheep and it represents a substantial part of the total income from livestock in the State. Sheep numbers have been reduced since 1942 until numbers are about average or slightly below. This tendency to reduce numbers will be continued during the current season according to bankers in the sheep areas. Costs on average good sheep operations are said to have almost doubled. Scarcity of skilled labor is another limiting factor in the present sheep situation. The accumulated stock pile of wool, both domestic and foreign, is of grave concern to sheepmen and may be a further reason for reduction in numbers. The total 1944 lamb crop, estimated at 29.6 million head, was 5½ per cent smaller than the 1943 crop and was about 3 per cent smaller than the average for 1933-1942 according to the Department of Agriculture. This is the smallest crop since 1930 except for the years 1935 and 1937 after the droughts of 1934 and 1936. The small lamb crop this year is due to fewer ewes as the percentage of lambs saved was larger. Feeder lamb prices this year on a contracted basis were two to three cents below 1943 prices and a much smaller proportion of lambs was reported contracted compared with a year earlier.

Cattle and calves are generally in good to excellent condition in practically all States in this District. The good supply of range and other feeds in the Central and Northern Great Plains area will tend to delay marketings and prevent excessive liquidation of the record number of cattle on farms. Another situation that is helping the cattle market at the present time is the improvement for the prospects for a near-record corn crop. There has been a sharp

increase in demand for stockers and feeders, and market observers believe the demand for this class of cattle will be good during the fall and early winter. Improvement in the price of the better grades of cattle and a seasonal price decline for the lower grades will make feeding attractive to many who have feed surpluses. However, it is too early to tell whether this movement to feedlots will be large enough to offset the effects of a 41 per cent decrease in the number of cattle on feed August 1 compared with a year earlier. High costs of feed and labor has encouraged the feeding of relatively well fleshed, weighty cattle. The feeding of lightweight cattle has been curtailed.

In any event civilian supplies of beef probably will not be sufficient to meet the demand. The government recently announced orders for a 60 per cent set-aside of the two best grades of beef for military and lend lease needs. Also a 70 per cent set-aside was ordered for pork shoulders, 40 per cent on hams, 30 per cent on loins, and 50 per cent on bacon bellies. These heavy meat set-asides will reduce civilian supplies but will tend to support livestock prices.

With excellent feed and pasture conditions the widely feared sharp liquidation of cattle this fall may not occur. If slaughter during the last part of the year is in normal relationship to slaughter during the first half of the year, total cattle and calf slaughter will be near 31.5 million head in 1944 according to the United States Department of agriculture. The Department forecasts that in spite of this large slaughter the number of cattle on farms January 1, 1945, is likely to be a little changed from the record number a year earlier depending, of course, on the calf crop, exports and imports and death losses. The 1944 Livestock Goals Committee had recommended a reduction in cattle numbers this year in order to adjust to feed supplies. Some bankers feel that livestock numbers on ranges are at the danger point. In Montana, for example, there was a 13 per cent increase in cattle numbers over 1943 and a 36 per cent increase above a recent ten-year average. This compares with 3.9 per cent and 18.5 per cent for the country as a whole. However, the bright spots in the current cattle situation are the excellent condition of cattle, large feed reserves, and the strong financial position of most growers.

The table below gives a picture of the increase in cattle slaughter and calves produced in recent years.

Cattle and Calf Slaughter and Calves Produced 1940 to 1944

Item	1940	1941	1942	1943	1944 ⁽¹⁾
	(Million Head)				
Slaughter					
Cattle	15.0	16.4	18.0	17.7	20.0 ⁽¹⁾
Calves	9.1	9.3	9.7	9.9	11.5 ⁽¹⁾
Total slaughter.....	24.1	25.7	27.7	27.6	31.5 ⁽¹⁾
Calf crop	29.8	31.1	32.9	33.1	34.0 ⁽¹⁾

Source: "The Livestock and Wool Situation", June 1944.

(1) Forecast based upon an average calf crop, slaughter trends the first five months of the year, and average death losses.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 26, 1944

Industrial output and employment showed little change in August. Retail trade was at a new high level for the month. There was a small further rise in retail commodity prices.

INDUSTRIAL PRODUCTION: Output at factories and mines was 232 per cent of the 1935-39 average in August as compared with 231 for July, according to the Board's seasonally adjusted index of industrial production. Steel production was maintained, while output of nonferrous metals continued to decline. Over-all, activity in the metal fabricating industries continued at the level of the preceding month. There were large increases in output of heavy trucks, tanks, and some other critical ordnance items in August; aircraft production showed little change; while shipbuilding declined.

Output increased in the shoe, woolen and worsted, and paper industries in August following a drop in July which reflected chiefly the curtailment of operations around the Fourth. Output of manufactured foods, after allowance for seasonal changes, declined in August, largely reflecting decreases in output of meats, dairy products, and sugar products. Distilleries were shifted for the month of August from production of industrial alcohol for war purposes and output of about 50,000,000 proof gallons of beverage spirits was reported. Production of other nondurable goods was maintained at the level of the preceding month.

Minerals output in August rose 2 per cent from July, reflecting increases in coal and crude petroleum. Crude petroleum production was at a rate 11 per cent above the same month last year.

DISTRIBUTION: Value of department store sales, according to the Board's seasonally adjusted index, was larger in August and the first half of September than in the first half of 1944 and averaged 12 per cent above the corresponding period of last year. In the third quarter the index at 90 per cent above the 1935-39 average has been at the highest level on record.

Carloadings of railroad freight were maintained in large volume in August. During the first three weeks in September loadings were slightly less than during the same period a year ago, owing to decreases in all classes of freight except merchandise in less than carload lots and miscellaneous shipments.

COMMODITY PRICES: Wholesale prices of farm products and foods showed small seasonal decreases from the middle of August to the middle of September. Maximum prices of such industrial goods as cotton fabrics, cement, and bricks were increased.

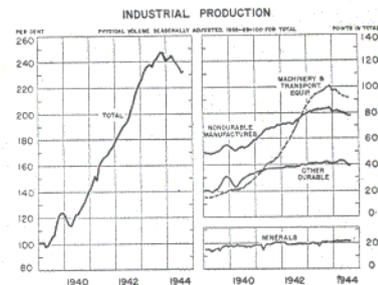
Retail prices of food and other cost of living items increased slightly in August and the average of all items was 2 per cent higher than a year ago, according to the Bureau of Labor Statistics index.

AGRICULTURE: Crop prospects improved during August and the early part of September and harvests of most major crops are expected to be larger than last season. Marketings of livestock products, which were at a record level earlier this year and 15 per cent higher than during the first six months of 1943, have declined in July and August to about the same level as that prevailing last year.

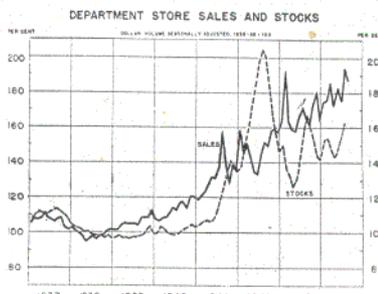
BANK CREDIT: Bank deposits of businesses and individuals, as well as currency in circulation, have increased since the end of the Fifth War Loan Drive. This increase in the money holdings of businesses and individuals is largely a reflection of the expenditures made by the Treasury from its war-loan accounts built up during the drive. Adjusted demand and time deposits at member banks in leading cities increased by nearly 4 billion dollars between the close of the drive and mid-September, or by over three-quarters of the amount of reduction in such funds during the drive. Deposits at non-reporting banks probably increased by nearly 2 billion dollars. Treasury war loan accounts at banks declined by nearly 8 billion dollars.

In the same period loans and investments at weekly reporting member banks in 101 leading cities declined by 2.2 billion dollars. Loans to brokers and dealers for purchasing and carrying Government securities declined to a level approximately equal to that of the pre-drive period. There was, however, a temporary increase in such borrowings in late August and early September presumably associated with market transactions stemming from the Treasury offer to exchange certificates maturing on September 1 and notes maturing on September 15 for new issues. Loans to others for purchasing and carrying securities declined steadily, but on September 13 were still well above the pre-drive level. Government security holdings showed a net decline of 800 million dollars over the period, reflecting mainly substantial bill sales by reporting banks partially offset by some increase in bond holdings.

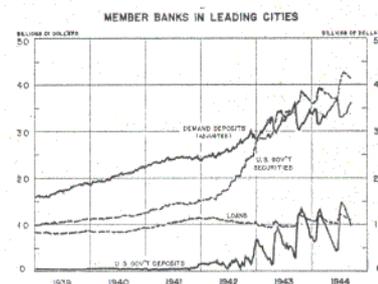
As the result of the increase in deposits of businesses and individuals, the average level of required reserves at all member banks rose by about a billion dollars between the close of the Fifth Drive and mid-September. In addition, a billion dollar increase in money in circulation and some further decrease in gold stock served to absorb reserve funds. Member bank needs for reserves due to these factors were met largely through an increase of 1.7 billion dollars in the Government security portfolio of the Federal Reserve Banks and there was also a slight increase in Reserve Bank discounts. Excess reserves declined from an average level of 1.4 billion at the close of the drive to somewhat less than a billion by early September.



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for August, 1944.



Federal Reserve indexes. Monthly figures, latest shown are for August, 1944.



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 September 13, 1944.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for September 13, 1944.