

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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LOANS TO BUSINESS AND INDUSTRY

The Federal Reserve Bank of Minneapolis still has available for business and industrial loans about \$5,000,000.

Loan Conditions:

1. Maturity not to exceed five years.
2. For working capital.
3. To established businesses.

The Federal Reserve Bank may:

1. Participate with the local bank in the loan,

Or

2. If the local bank desires to carry the entire loan, issue to such local bank a commitment to purchase the loan within a future time, provided such local bank participates for at least 20 per cent of the amount,

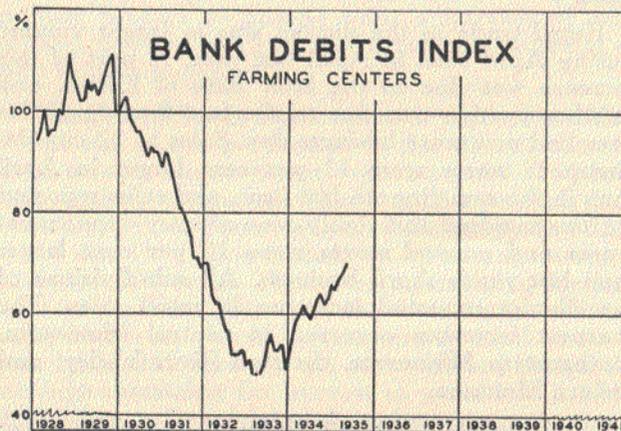
Or

3. When the loan cannot be obtained from the usual sources, lend directly to the business.

We welcome inquiries regarding industrial loans from interested parties to whom we shall be glad to furnish details and preliminary application blanks.

DISTRICT SUMMARY OF BUSINESS

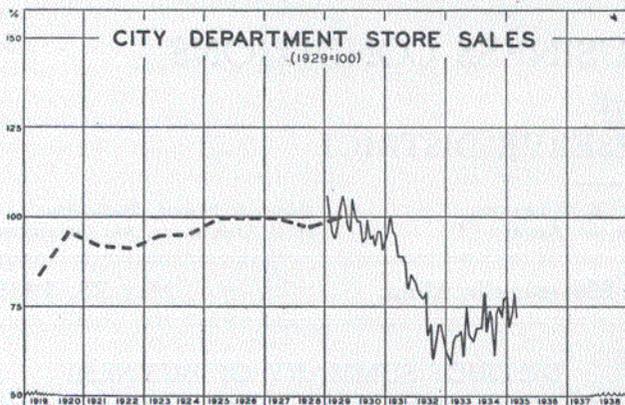
The level of business in the district during April was higher in most lines than in March. The index of bank debits, adjusted for seasonal variation, rose from 67 in March to 71 in April. A newly constructed index of bank debits in 67 agricultural communities in the Northwest rose from 68 to 70. The country check clearings index increased from 120 to 125, and the country lumber sales index rose from 55 to 65. On the other hand, the miscellaneous freight carloadings index declined from 76 to 75, and the city department store index declined from 79 to 72.



Bank Debits Index for Agricultural Communities in the Ninth Federal Reserve District, adjusted for seasonal variations.

Judging from reports covering the first half of May, it appears that the May level of business in the district is not maintaining the level of April. If the latter part of May does not show an improvement over the first part of the month, there will be decreases in the index numbers of miscellaneous freight carloadings, less than carload freight, and city department store sales. The bank debits and country check clearings indexes will remain at the April level.

Business in April was in larger volume than in April last year in a majority of reporting lines. Daily bank debits were 16 per cent larger, country check clearings were 26 per cent larger, and freight carloadings were 13 per cent larger in April than in the corresponding period last year. Other increases oc-



Index of Department Store Sales at Minneapolis, St. Paul and Duluth-Superior, adjusted for seasonal variations.

current in electric power consumption, building permits, residential building contracts, linseed product shipments, copper output, marketings of sheep, country lumber sales, and wholesale trade. Decreases, as compared with a year ago, occurred in public works contracts, flour production and shipments, grain marketings, butter production, marketings of cattle, calves, and hogs, and life insurance sales.

Retail trade in the district was in larger volume during April than in April last year. A part of this increase was due to the later date of Easter, and another portion was due to the fact that April this year had one more business day. Sales at 22 city department stores were 11 per cent larger in April than in the same month last year, and sales reported by four hundred and eighty-nine country department stores and general stores were 15 per cent larger than last year's April business. All sub-divisions of the district reported increases in retail sales. The sharpest increases occurred in central Minnesota, southeastern Minnesota, the Red River Valley, and eastern Montana.

Retail Trade	% April 1935 of April 1934
Minneapolis, St. Paul, Duluth-Superior (22 stores)	111
Country Stores (489 stores)	115
Minnesota—Southwestern (39 stores)	117
Minnesota—Southeastern (19 stores)	127
Minnesota—South central (26 stores)	123
Minnesota—Central (13 stores)	132
Minnesota—Northeastern (11 stores)	120
Minn.-No. Dakota Red River Valley (15 stores)	127
Montana—Mountain (17 stores)	109
Montana—Plain (36 stores)	129
North Dakota, excl. Red River Valley (16 stores)	117
South Dakota—Southeastern (15 stores)	110
South Dakota—Other eastern (43 stores)	111
Wisconsin—West central (41 stores)	110
Northern Wisconsin and Michigan (38 stores)	114
Ninth District (511 stores)	113

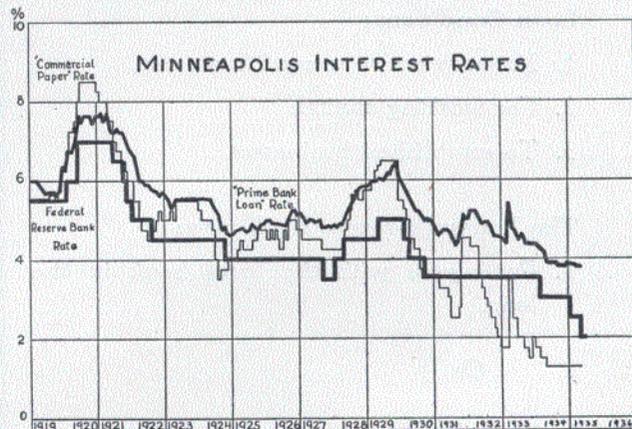
DISTRICT SUMMARY OF BANKING

Banking developments in recent weeks have not been highly significant. There was a sharp decrease in city bank deposits during the two weeks ending May 1st, incident to the tax date. City bank assets

showed a corresponding decline. In the succeeding two weeks, city bank deposits regained most of the shrinkage, and on May 15, they were only 9 million dollars smaller than four weeks earlier. During the four-week period, loans to customers decreased 3 million dollars; other invested funds decreased 15 million dollars; and balances due from banks increased 8 million dollars.

Deposits at country member banks remained practically unchanged from March to April. The only significant change was due to the transfer of several South Dakota member banks to the status of branches of a bank in one of the larger South Dakota cities. This had the effect of reducing deposits at our group of country member banks, which are only those banks in cities with less than 15,000 population.

Member banks continue to carry large totals of excess reserves with this Federal Reserve Bank. These excess reserves averaged 48 million dollars during April. Emphasizing the easy money conditions of the present time, the discount rate of this Federal Reserve Bank was reduced to 2 per cent, effective May 14, 1935.



Interest Rates at Minneapolis on Prime Bank Loans and Commercial Paper, and the Discount Rate at the Federal Reserve Bank, 1919-1935.

DISTRICT SUMMARY OF AGRICULTURE

The estimated farm income in the district from the sale of seven important products during April was 2 per cent less than the income from the same sources in April last year. This does not take into account farm income from government rental and benefit payments. The decrease in farm income was entirely caused by small marketings. In spite of decreased marketings, higher prices created a small increase in the income from dairy products and hogs, and an increase also occurred in potato income. However, these increases were more than offset by decreases in the income from marketings of wheat, rye, and flax.

Prices of grains, butter, and eggs rallied in April from their recent declines. The median price of butcher steers in April was the highest since 1930,

and the price of hens was the highest since 1931. Prices of hogs, feeder steers, and veal calves declined during April. Nevertheless, the April price of hogs was two and one-half times as high as a year ago; the price of corn was double that of last year; and all other northwestern farm product prices were higher than a year ago, with the exception of lambs and potatoes. The University of Minnesota farm product price index rose from 85.4 in March to 91.2 in April which was the highest since May 1930. A year ago the index stood at 52.5 and two years ago at 39.9.

Cattle and hog receipts at South St. Paul during April showed little change from receipts during March. Cattle receipts were slightly smaller and hog receipts much smaller than in April last year. April sheep receipts were only half as large as in March, but were larger than in April a year ago. Since May 1, cattle receipts have continued a little smaller than in the corresponding weeks last year, and hog receipts have continued at about half the volume of the corresponding weeks a year ago. Sheep and lamb receipts have continued larger than last year.

Prices of all classes of cattle, except lightweight stocker and feeder steers (under 800 lbs.), were higher in April than in March, and prices of all classes continued much higher than last year. During the week ending April 13, the top price for heavy butcher steers at \$14.00 established a new "high" since December 1929. A new "high" since 1929 for butcher cows was also established in the week ending April 27. Since the first of May, prices of butcher cattle have declined from the high prices recorded in April, but there have been substantial increases in prices for feeder cattle. Prices for heavy-weight feeder steers have not been as high as the prices reached about the middle of March, but during the week ending May 15, top prices for lightweight feeder steers, heifers, cows, and calves were all higher than at the middle of March.

In April and the first half of May, hog prices continued to decline slowly from the 4½-year record high, established early in March. A continuation of short supplies, however, resulted in a sharp upturn during the third week in May which returned prices to the mid-March level, a price range of \$7.75 to \$9.50.

Lamb prices were not as steady during April as in March, but the monthly medians computed in our office were the same in March and April, \$7.75, as compared with \$8.85 and \$9.25 in the corresponding months of 1934. The median price for ewes in April sagged off somewhat from that of March, and was identical with that of April last year. Lamb and ewe prices since May 1 have shown little net change from that of April and have continued somewhat unsteady. Quotations on ewes were changed to a shorn basis about the middle of May.

The cold storage report for May 1 reveals the fact that national stocks of meat declined 95 mil-

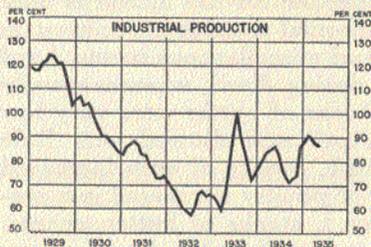
lion pounds during the month of April, whereas the five-year average decline for the month is only 8 million pounds. Abnormal decreases occurred in stocks of beef, pork, and miscellaneous meats. Lard stocks also decreased during April, whereas usually there is an increase. Stocks of butter were very low at the beginning of April and showed very little change during the month. Stocks of eggs increased seasonally, and stocks of poultry decreased in a seasonal manner. On May 1, stocks of butter, cheese, eggs, pork, and lard were below the five-year average for that date, and stocks of poultry, beef, and lamb and mutton were above the five-year average.

Crops

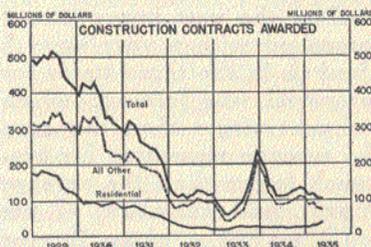
United States Department of Agriculture estimates of winter wheat production in the Ninth Federal Reserve District reflect the vast improvement in soil moisture, as compared with a year ago. A crop of 15½ million bushels in the three states for which estimates are prepared was forecast, which was more than 50 per cent larger than the crop harvested in 1934. The acreage remaining for harvest on May 1 was much larger than the acreage actually harvested last year, and was about 15 per cent larger than the 1925-1934 average. In the entire United States, the May 1 forecast was 432 million bushels compared with a harvest of 405 million bushels in 1934 and a ten-year average of 540 million bushels.

The United States Department of Agriculture May 1 forecast of rye production in this district showed even greater improvement over last year, 18½ million bushels compared with 4 million bushels harvested in 1934. The average for the ten years 1925-1934 was 19 million bushels on an average acreage of 1,695,000 acres. The acreage remaining for harvest as grain on May 1 in the four states—Minnesota, Montana, North Dakota and South Dakota—was 1,587,000 acres. In the entire United States, the acreage remaining for harvest as grain was 3,474,000 acres, a little higher than the ten-year average of 3,101,000 acres. The production forecast on the same date was 40 million bushels, compared with the ten-year average of 35 million bushels.

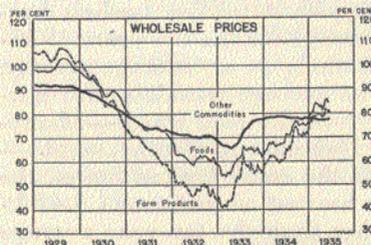
While cold weather, wet top soil, and difficulty in obtaining funds for seed purchase have each resulted in some delay, grain seeding progressed rapidly during the last week of April and first half of May, and except for extremely unfavorable weather conditions should be practically completed in most sections of our district before the end of May. Estimates of total acreages sown are not available at this time, but reports from numerous widely separated points in the district indicate but little change from the acreage sown last year, which was of course much larger than the acreage harvested. A temporary excess of moisture in the top soil has delayed seeding in more localities than insufficient moisture since late in April, and at the middle of May, no sections reported that a shortage of surface soil moisture was retarding germination.



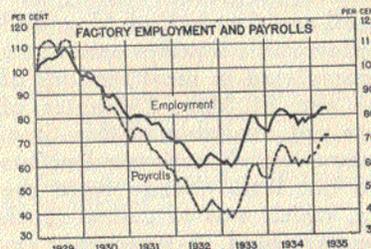
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average=100.)



Three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variation. Latest figure based on data for March and April and estimate for May.



Indexes of the United States Bureau of Labor Statistics. (1926=100.) By months 1929 to 1931; by weeks 1932 to date.



Indexes of factory employment and payrolls, without adjustment for seasonal variation. (1923-1925 average=100.) Indexes compiled by the United States Bureau of Labor Statistics.

Summary of National Business Conditions (Compiled May 25 by the Federal Reserve Board)

Factory production and employment showed little change in April, while output at mines declined. Residential construction showed a further increase.

PRODUCTION AND EMPLOYMENT: Combined output of factories and mines, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, declined from 88 per cent of the 1923-25 average in March to 86 per cent in April. This downward movement reflected chiefly decreases in the output of steel, cotton, and silk textiles, and bituminous coal, offset in part by increased mill consumption of wool, and larger output of anthracite. At steel mills output declined from 49 per cent of capacity in March to 45 per cent in April and, according to trade reports, showed a further slight decline in the first three weeks of May. In the automobile industry, there was a further increase in production during April, followed by a decline in the early part of May, partly as a consequence of labor disputes. In the tobacco industry, activity was maintained at recent high levels. Output of bituminous coal declined sharply at the beginning of April, following a period of relatively high production earlier in the year. The total number employed in factories was about the same in the middle of April as a month earlier, and factory payrolls also showed little change. Declines in employment were reported for railroad repairshops and textile mills, while in the machinery industries employment continued to increase, and in the men's clothing industry it showed none of the usual seasonal decline. In agriculture and in the building industry, employment increased seasonally. The total value of construction contracts of all kinds, as reported by the F. W. Dodge Corporation, showed little change from March to April. A further increase in residential projects was offset in the total by a decline in contracts for other types of construction.

DISTRIBUTION: Total freight carloadings declined in April, contrary to seasonal tendency, chiefly as a consequence of a large decrease in shipments of bituminous coal. Department store sales, which had shown a sharp increase in March, increased by considerably less than the estimated seasonal amount in April.

WHOLESALE COMMODITY PRICES: The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, has shown little change since the middle of April, following an increase in the early part of the month, and in the week ending May 18 was at 80.0 per cent of the 1926 average, as compared with 79.9 per cent in the week ending April 13. For this period the prices of cotton, hogs, hides, and non-ferrous metals increased somewhat, while grains and butter declined. In the following week, there were further increases in the prices of hogs and of lead, while prices of wheat decreased further.

BANK CREDIT: During the five weeks ended May 22, member bank balances with the Federal Reserve banks increased to \$4,820,000,000, the highest figure on record, and excess reserves rose to a new high level of over \$2,350,000,000. The principal factors in the increase of member bank reserve balances were the disbursement by the Treasury of \$240,000,000 of funds previously held in the form of cash or on deposit with the Federal Reserve banks and further gold imports of \$90,000,000. Deposits of reporting banks in leading cities increased further during the four-week period ended May 15, reflecting, chiefly, disbursements by the United States Treasury.

Yields on short-term government securities declined slightly further during this period, while other short-term open market money rates remained at low levels. The discount rate was reduced from 2 per cent to 1½ per cent at the Federal Reserve Bank of Cleveland and from 2½ per cent to 2 per cent at the Richmond, Minneapolis, Kansas City, and Dallas banks. Rates are now 1½ per cent at New York and Cleveland, and 2 per cent at all the other Federal Reserve banks.