MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

J. N. Peyton, Chairman of the Board and Federal Reserve Agent

E. W. Swanson Oliver S. Powell
Assistant Federal Reserve Agents

Harold C. Timberlake
Assistant Statistician

Vol. 7 (Serial No. 254) Federal Reserve Bank, Minneapolis, Minn. February 28, 1936

DISTRICT SUMMARY OF BUSINESS

A decided letdown in business occurred in the Ninth Federal Reserve District during January. A part of this was due to the exceptionally cold weather and the heavy snow which hampered trade in many parts of the district, and part was undoubtedly due to a reaction from the sharp upturn in business in December. The only adjusted index to remain at the December level was the index of bank debits at 94 cities, which reflects chiefly the volume of check payments in the larger cities of the district. In December and January this index stayed at the highest level since July, 1931. The other indexes computed in this office all decreased after correction for purely seasonal fluctuations, and in most of the indexes, the declines from the December level were sharp.

Northwestern Business Indexes

(Various base periods)

	Jan. 1936	Dec. 1935	Jan. 1935	Jan. 1934
Bank debits—94 cities	74	74	65	58
Bank debits—farming centers	75	80	65	56
Country check clearings	129	132	108	90
Department store sales	73Pre.	83	69	69
Carloadings — Miscellaneous	80	88	80	72
Carloadings—L.C.L.	60	62	61	63
Country Lumber Sales	78	89	72	68

In spite of the decline from December, the volume of business in the district during January continued to be larger than in January last year. Bank debits were 14 per cent larger, country check clearings were 20 per cent larger, and freight carloadings were 15 per cent larger. Other increases over a year ago in the latest reported figures occurred in electric power consumption, building permits and contracts, flour production and shipments, linseed product shipments, copper output, grain marketings, receipts of hogs and sheep at South St. Paul, butter production, country lumber sales, and wholesale trade. The only significant decreases occurred in marketings of cattle and calves.

In the first half of February, bank debits at 17 cities were larger than in the same period last year, but country check clearings were smaller than a year ago. The latter decrease can be traced directly to blocked roads and the difficulty of transacting business in the rural portion of the district.

Retail trade in the district, as evidenced by city department store sales and country general store sales, was larger in January than in the same month last year although the increase was not pronounced. City department stores reported an increase of 6 per cent and representative country stores reported an increase of 3 per cent. In the rural portions of the district, decreases from last year's volume occurred in southwestern Minnesota, the Red River Valley, other parts of North Dakota, and eastern Montana. On the other hand, increases exceeding the average increase occurred in central and northeastern Minnesota, southeastern Minnesota, Wisconsin and Michigan, and eastern Montana.

		% Jan. 1936 of Jan. 1935
Mpls., St. Paul, Duluth-Superior	(22 stores)	106
Country stores	(301 stores)	103
Minnesota—Central	(10 stores)	105
Minnesota—Northeastern	(7 stores)	107
Minnesota—Red River Valley	(10 stores)	98
Minnesota—South central	(18 stores)	103
Minnesota—Southeastern	(17 stores)	111
Minnesota—Southwestern	(30 stores)	96
Montana—Mountain	(16 stores)	123
Montana—Plains	(18 stores)	100
North Dakota—Red River Valley	(24 stores)	99
North Dakota—Southeastern	(20 stores)	88
North Dakota—Other N. Dak.	(13 stores)	74
South Dakota—Southeastern	(13 stores)	100
South Dakota—Other Eastern	(40 stores)	102
Wisconsin—West Central	(34 stores)	105
Northern Wisconsin and Michigan	(31 stores)	110
Ninth District	(323 stores)	105

DISTRICT SUMMARY OF BANKING

Banking developments in the district during recent weeks have been largely seasonal. Loans to customers reported by city member banks declined 5 million dollars during the four weeks ending February 11, but on that date were 20 million dollars larger than a year ago. Investment holdings of these banks declined 10 million dollars during the four-week period and were smaller than a year ago. Balances due from banks increased 11 million dollars and were larger than last year. Deposits of city member banks decreased 3 million dollars during the four weeks, chiefly as a result of a shrinkage

in municipal deposits. However, total deposits of these banks were 32 million dollars larger on February 11 than on the corresponding date last year.

Country member banks experienced a seasonal decrease in net deposits between the daily average for December and the daily average for January. The decline was sharpest in Montana and more moderate in Minnesota and North Dakota. Deposits in Michigan, South Dakota, and Wisconsin increased.

DISTRICT SUMMARY OF AGRICULTURE

Livestock Marketings

Receipts of cattle and calves at South St. Paul continued to decrease during January and were smaller than in the same month last year. Sub-zero weather and blocked roads contributed heavily to the decreased receipts. Despite the smaller receipts, however, outbound shipments of stocker and feeder cattle and calves were larger than in January, 1935. Prices for practically all classes of steers were about the same as in December or were a little weaker, but a strong demand for stockers in conjunction with a strong killer demand for lower grade cattle resulted in a substantial increase in the median price for butcher cows and heifers. Smaller increases occurred in prices for both lightweight butcher and feeder steers as well as calves. Prices for the low to average grades of cattle, which included most of the offerings, were higher than in January last year but prices for heavy, long fed cattle were somewhat below the January, 1935, levels.

Owing to the short supplies of feed during the preceding season, the number of heavy cattle received at South St. Paul in January, 1935, was much below normal, resulting in an extremely strong demand for the limited offerings. Another factor influencing cattle prices last month was the number of cattle on feed on January 1. While the number on feed in our district as well as in the entire United States was estimated by the United States Department of Agriculture to be much larger than on January 1, 1935, as was anticipated, the number of cattle on feed on January 1, 1936, was far below the average for the years 1930-1934.

During the first half of February receipts continued to decline, but the decreased receipts had little effect on prices because of the failure of any appreciable increase in dressed beef prices to materialize. The first shipments of cattle fed exclusively on grain produced last year for any considerable period, arrived early in February and according to South St. Paul comment did not possess the usual finish carried by cattle fed for comparable periods, indicating a possible lack of fattening quality in grain grown in 1935.

During the first two weeks of February receipts of stocker and feeder cattle were greatly curtailed by the severe weather, but the receipts were more than ample for the extremely limited demand which was almost non-existent because of the blockaded highways. In the week ending February 12, only 96 head were shipped from South St. Paul, establishing a new all time low record since weekly reports were first issued in 1924.

Receipts of hogs at South St. Paul during January equalled the comparatively large receipts in December and were larger than in the corresponding month of the preceding year for the first time since October, 1934, largely because of the sharp rise in prices following the elimination of the $2.25 processing tax early in the month. The large receipts at South St. Paul as well as at the other principal midwestern markets, accompanied by a decided lack of finish in the quality of the receipts, were responsible for price declines that wiped out nearly all of the sharp increases which immediately followed the adverse AAA decision. As a result of these price swings, the January median hog prices were less than 5 per cent higher than the December medians but were substantially higher than in January last year.

During the first half of February hog receipts at all of the midwestern markets declined rapidly as a result of the drifted highways. At the same time a strong shipping demand developed at South St. Paul which raised prices above the $10 level for the first time since last October. While packers were hesitant purchasers when prices started up, the cold weather throughout the entire United States resulted in a stronger demand for dressed pork, and during the second and third weeks of February, packers and shippers were both actively bidding for practically all classes of receipts.

Sheep and lamb receipts at South St. Paul in January were a little larger than in December and much larger than in January last year. The heavy receipts of lambs plus declines in dressed lamb prices resulted in a small decline in the median price for slaughter lambs. Prices for ewes, however, increased slightly during January despite the relatively large receipts, partly due to the strengthening effect of the estimated decrease in the number of sheep and lambs on feed January 1. The estimate for the entire United States was only 5.4 per cent below the number on feed last year, but the sharpest decreases were shown in the number on feed in several of our middle-western states.

During the first half of February, because of the severe weather, receipts have declined somewhat from the high level of January, paralleling declines in the same weeks of February last year. The smaller number of sheep and lambs on feed, coupled with the heavy marketing of fed ewes has evidently given many lamb feeders confidence in the current feeding situation, for feeder lambs have found a strong and steady market at prices only slightly below slaughter lamb prices.

Cold Storage Holdings

Despite the far below normal stocks of butter at the end of last year, withdrawal of butter from cold storage during January continued at an abnormally rapid rate, reducing stocks on February 1 to a point but little larger than the record low for that date established a year ago. The stronger prices for butter during January were responsible for the large volume of withdrawals of storage stocks, and the blocked roads and severe cold greatly reduced production during that month. While the withdrawals from storage of cheese, poultry products, and beef were greatly reduced from those of a year ago, they were about as large as the five-year average movement. The in-movement of pork and lard, on the other hand, because of the unexpected heavy marketings of hogs during January, was somewhat larger than the five-year average.

February 1 cold storage stocks of the more important perishable products were all smaller than the five-year average with the exception of beef, miscellaneous meats and cheese.

Livestock on Farms

Contrary to what might have been expected from the relatively high prices for dairy cows that have prevailed throughout the latter part of 1935, the United States Department of Agriculture January 1 estimates of the number of dairy cows and heifers on farms in each of our four states were a little smaller than last year's estimates. The decrease for the four states combined was 4 per cent, compared with a decrease of 2 per cent in the entire United States. Indicating little contemplated expansion of dairy herds, the number of 1 to 2 year old heifers on farms in Minnesota and Montana was smaller than a year ago, being reduced to merely the number required for normal replacements in the milking herds. On the other hand, increases were estimated for the two Dakotas which offset the reductions in the other two states and resulted in a slight net increase for the Ninth Federal Reserve District. Compared with the average for the years 1931-35, estimates for dairy stock both over and under 2 years in each of our four states were smaller on January 1, 1936, reflecting the drastic declines in livestock holdings during the severe drouth year of 1934.

The January 1 estimates for "other cattle" (all cattle and calves except dairy cows and heifers) were larger in each of our four states except Montana. For the last two years, Montana has led all other states in the Ninth Federal Reserve District in the number of cattle in this classification (chiefly beef cattle), but because of decreases during 1935 a larger number were on farms in Minnesota on January 1 this year. The estimated total for our four states was about 8 per cent larger than a year ago. However, the estimate for each of the four states was smaller than in any other recent year, with the exception of 1935.

While the hog population of the Ninth Federal Reserve District increased nearly one-fourth between January 1, 1935, and the same date in 1936, the number on farms on January 1 this year was still far below the estimate for any other recent year and less than half as large as on the same date in 1931. The increase of nearly 700,000 head last year in our four states was all the more remarkable because of the much smaller pig production in 1935 than in 1934. This increase represented nearly 13 per cent of the 1935 pig production which was only a little over 5¼ million head, compared with pig crops totaling nearly 6½ million head in 1934.

As mentioned in the preceding issue of this review, because of the higher prices that have prevailed this season, coupled with the unusually heavy marketings that immediately followed the elimination of the processing tax early in January, the volume of hogs marketed since the first of the year has been almost as large as in the corresponding period a year ago. Inasmuch as current marketings are largely out of the small 1935 spring pig crop which must also provide most of the increase in the number of sows to farrow this spring, the large volume of marketings in January has doubtless made large inroads on the supply of hogs available for marketing during the remainder of this season. In fact, the February 1 supply of hogs on farms in our four states available for marketing during the months of February and March is estimated to be smaller than on any other February 1 since the beginning of our records in 1922.

Farm Income

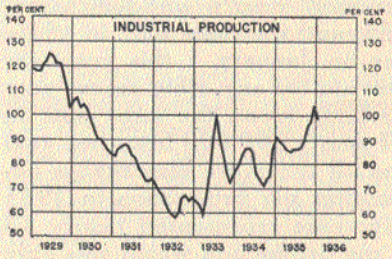
The estimated farm income in the district from the sales of seven important items during January was 44 per cent larger than in January last year. Increases occurred in income from each of the items.

More complete figures for December published by the United States Department of Agriculture and covering the states of Minnesota, Montana, North Dakota and South Dakota combined indicate that farmers' cash income in December in these states was $44,327,000. This was the total before adding rental and benefit payments but even without these additions, it was the largest December total since 1930.

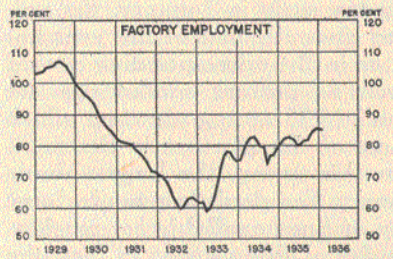
Farmers' Cash Income, Including Rental and Benefit Payments, for the Four States of Minnesota, Montana, North Dakota, and South Dakota Combined
(U. S. D. A. Estimates)

Year	December	Jan.-Dec.
1929	$82,293,000	$993,917,000
1930	57,701,000	762,535,000
1931	37,768,000	522,205,000
1932	25,808,000	316,654,000
1933	28,085,000	383,857,000
1934	38,684,000	495,336,000
1935	44,327,000*	575,370,000

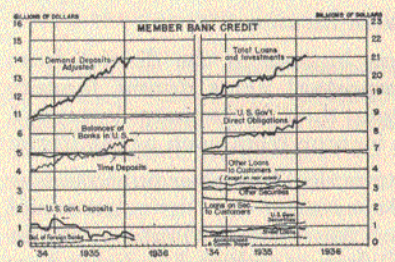
*Excluding Rental and Benefit Payments for the month of December, 1935.



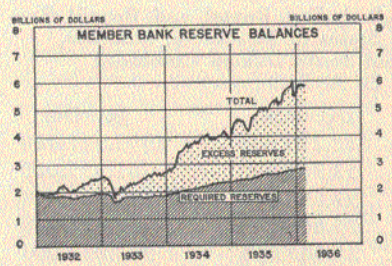
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average—100. By months, January, 1929 to January, 1936.



Index of number employed, adjusted for seasonal variation, 1923-1925 average—100. By months, January, 1929 to January, 1936.



Wednesday figures for reporting member banks in 101 leading cities September 5, 1934 to February 12, 1936.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932 to February 19, 1936.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEBRUARY 25, 1936

The total volume of industrial production increased in January, but, owing to a decline in activity in the automobile and allied industries from an exceptionally high level in December, the increase was less than is usual at this season.

PRODUCTION AND EMPLOYMENT: The total output at factories increased by a smaller amount than is usual in January, while output at mines showed a seasonal increase.

The Board's combined index of industrial production, which makes allowance for seasonal changes, declined from 104 per cent of the 1923-1925 average in December to 99 per cent in January. This decrease reflected cheifly sharp reductions in output of steel and of automobiles from the high levels reached in December. In the first three weeks of February the average rate of operations at steel mills showed a smaller increase over the January average than is usual, and at automobile factories output was estimated to be at a lower level than in January. Smaller than seasonal increases in activity were reported at textile mills and at shoe factories, while output of food products was in considerably larger volume in January than a month earlier.

Factory employment showed a small seasonal decrease between the middle of December and the middle of January. At automobile factories the number of workers, which usually increases at this season, was unchanged, and at textile mills employment declined. Factory payrolls decreased by more than the usual amount.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in January than in December. Awards for publicly-financed projects decreased from the relatively high December figure, and there was a seasonal decline in contracts for residential construction.

DISTRIBUTION: Retail trade was reduced more than seasonally in January, reflecting in part the influence of unusually severe weather. Sales by department stores, variety stores, and mail-order houses all declined by more than the usual seasonal amount. Freight-car loadings showed little change; loadings of coal increased considerably, while rail shipments of miscellaneous freight declined.

COMMODITY PRICES: The general level of wholesale commodity prices continued to show little change during January and the first three weeks of February. Prices of cotton textiles, flour, wheat, and silk declined, while prices of hogs, petroleum, coffee, and rubber increased considerably. Retail prices of foods decreased somewhat during January.

BANK CREDIT: Excess reserves of member banks fluctuated between January 22 and February 19 near a $3,000,000,000 level, changes reflecting principally fluctuations in Treasury holdings of cash and deposits with Federal Reserve Banks. Investments of weekly reporting member banks in leading cities increased by $300,000,000 in the four weeks ending February 12, and reached the largest amount ever held by these banks, while loans decreased by $130,000,000. Holdings of United States Government obligations increased by $140,000,000; holdings of obligations guaranteed by the Government, by $50,000,000; and other securities, by $110,000,000.

Adjusted demand deposits of reporting member banks, which declined somewhat from the middle of December to the middle of January, increased by $290,000,000 in the four weeks ending February 12, while United States Government deposits declined by $150,000,000.