MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

W. B. GEERY, 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. 255) Federal Reserve Bank, Minneapolis, Minn. March 28, 1936

DISTRICT SUMMARY OF BUSINESS

Business in the district was greatly hampered during February by heavy snows and cold weather. The result was that the indexes of business, with the exception of department store sales, dropped very sharply from the level of January. The bank debits index declined from 74 to 71; the country check clearings index from 129 to 120; the miscellaneous freight carloadings index from 80 to 72; the l.c.l. carloadings index from 60 to 52; and the country lumber sales index from 78 to 64. With the return of mild weather in March, early reports indicate that business volume has recovered all of its February losses. On the basis of weekly reports from seventeen cities during the first half of March, the bank debits index for that month will probably be the highest since the recovery movement started. Country check clearings for the first half of March also indicate that that index will have fully recovered from the February decline.

Northwestern Business Indexes

(Various base periods)

	Feb. 1936	Jan. 1936	Feb. 1935	Feb. 1934
Bank Debits—94 cities	71	74	64	57
Bank Debits—Farming centers	69	75	67	59
Country Check Clearings	120	129	120	100
Department Store Sales	76 P	73	73	69
Carloadings—Miscellaneous	72	80	83	69
Carloadings—L.C.L.	52	60	61	62
Country Lumber Sales	64	78	74	72

In spite of the severe weather, the February volume of business in the district continued to be larger than in the same month a year ago. Daily average bank debits were 10 per cent larger and freight carloadings were 13 per cent larger than in February, 1935. Other increases in the latest reported figures occurred in electric power consumption, building permits and contracts, flour shipments, linseed product shipments, butter production, grain marketings, and receipts of hogs and sheep. Decreases as compared with a year ago occurred in receipts of cattle and calves, country lumber sales, wholesale hardware sales and life insurance sales.

Retail trade in the district was seriously curtailed during February by unfavorable weather. Department store sales in the larger cities were only 5 per cent higher than a year ago in spite of the extra business day in February 1936. Sales reported by three hundred and forty-two country general stores were 10 per cent smaller than in February last year. The only rural areas in the Northwest where sales were larger than last year were northeastern and southeastern Minnesota, western Montana, and northern Wisconsin and Michigan. For other areas, decreases from last year's February volume were reported, ranging up to 41 per cent in western North Dakota.

Retail Trade

		% Feb., 1936 of Feb., 1935
Minneapolis, St. Paul, Duluth-Superior	(20 stores)	105
Country stores	(342 stores)	90
Minnesota—Central	(13 stores)	94
Minnesota—Northeastern	(9 stores)	116
Minnesota—Red River Valley	(11 stores)	91
Minnesota—South central	(22 stores)	88
Minnesota—Southeastern	(19 stores)	101
Minnesota—Southwestern	(34 stores)	76
Montana—Mountain	(18 stores)	105
Montana—Plains	(33 stores)	92
North Dakota—Red River Valley	(25 stores)	75
North Dakota—Southeastern	(24 stores)	75
North Dakota—Other North Dakota	(13 stores)	59
South Dakota—Southeastern	(13 stores)	71
South Dakota—Other Eastern	(41 stores)	76
Wisconsin—West Central	(35 stores)	100
North Wisconsin and Michigan	(32 stores)	104
Ninth District	(362 stores)	98

DISTRICT SUMMARY OF BANKING

During the five weeks ending March 18, deposits of city member banks decreased 12 million dollars as the result of several divergent trends. Municipal deposits increased 8 million dollars, reflecting the collection of personal property taxes. Balances due to country banks also increased sharply during the first two weeks of March as a result of deposits at country banks by county treasurers which were used to build up city correspondent balances. In the week ending March 18, correspondent balances declined 9 million dollars, doubtless the result of purchases of new government securities by country banks. Commercial checking accounts were reduced 15 million dollars during the five-week period, partly as a result of tax payments and the purchase of government securities, and partly due to the seasonal repayment of loans which usually causes a shrinkage in commercial deposits at this time of year.

Investment holdings of city member banks declined 10 million dollars during the five weeks.

Loans to customers decreased in the first part of the period and then increased in the last two weeks, showing a net loss of less than 1 million dollars for the entire period.

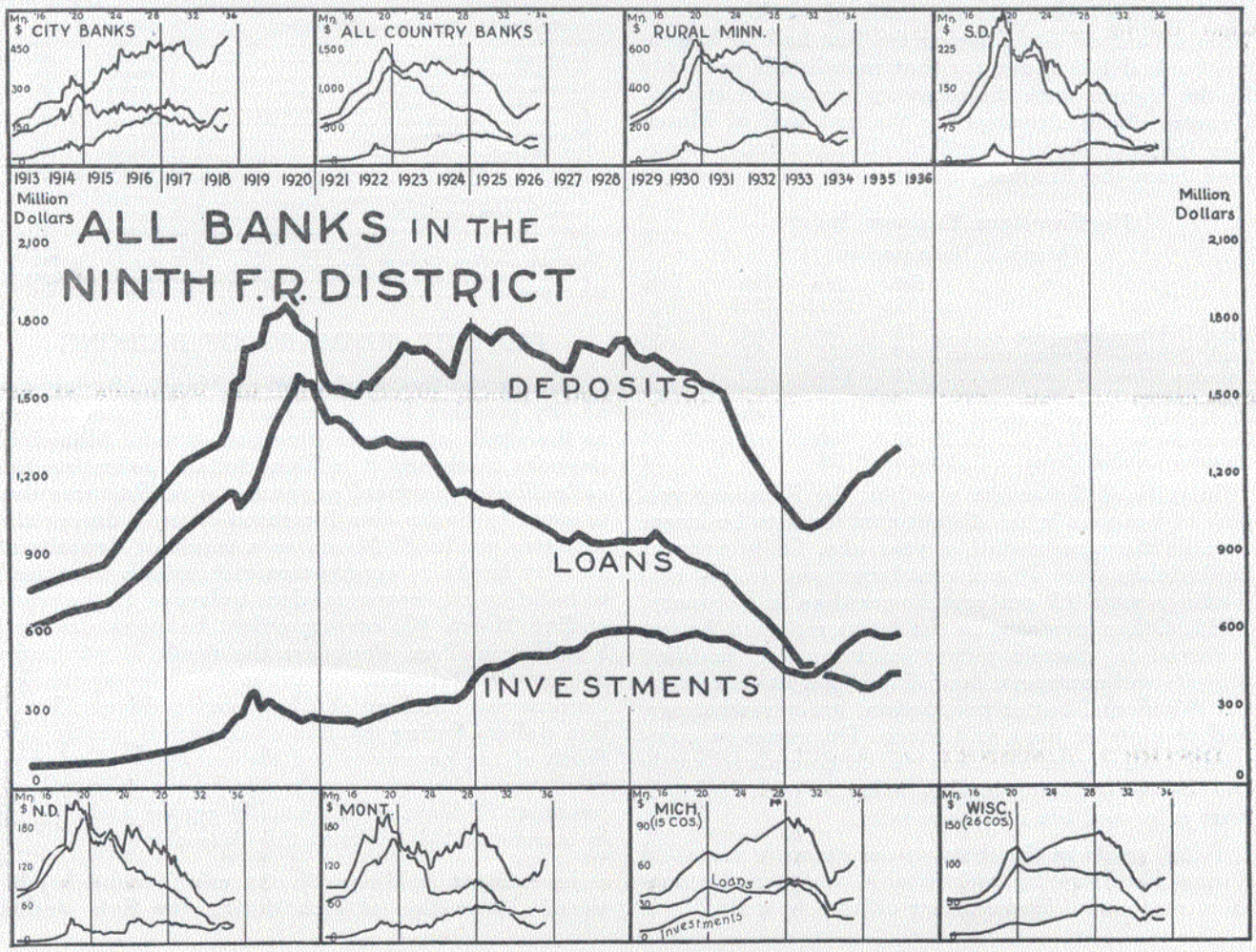
Country member bank deposits increased slightly in February over January according to the evidence of the net deposit reports of country member banks. This increase followed declines in the two preceding months.

District Changes in Banking in 1935

During 1935, total deposits at all banks in this district continued to rise, gaining more than $100,000,000, and at the end of the year exceeded $1,300,000,000 for the first time since 1931, according to records compiled from abstracts of state and national bank called reports. In October 1933, deposits at all banks in the Ninth Federal Reserve District were at the low of the depression and totaled less than one billion dollars, but by the end of 1935 they had recovered nearly half the distance to the sixteen-seventeen hundred million dollar level of the pre-depression years. Of the 312 million dollar increase since October 1933, 187 million dollars was in country banks and 125 million dollars in city banks. Measured in percentages, the rate of increase of deposits from October 1933 to the end of 1934 was higher at city banks than at country banks, but in 1935 the rate of increase in deposits at country banks was higher than at city banks.

Bank loans in this district during 1935 increased $57,000,000. 1935 was the first year since 1929 during which there was an increase in the amount of loans held by banks in this district. Total loans on December 31, 1935, however, were less than half as large as the volume held in 1929. During 1935, investments increased slightly and continued larger than loans, as was the case in 1934. The last two years are the only years, as shown by our records which begin with 1913, in which the volume of investments held by banks in this district has exceeded the volume of loans.

The number of banks in the Ninth District continued to decrease during 1935 owing to consolidations, voluntary liquidations, and the inauguration of branch banking in South Dakota. The December 31, 1935, abstracts included figures for 1,407 member and non-member banks compared with 1,432 one year earlier; 1,461 in October 1933; and 1,816 at the end of 1931.



City Banks. While the increase in deposits at city banks was little more than half as large as the increase at country banks, the city bank increase was somewhat more spectacular in that it raised the total deposit figure above the half billion dollar mark, establishing a new all time record of $503,000,000. More than half of this deposit increase was used in expanding loans at the city banks. The net increase in the amount of investments held by city banks was smaller than the increase in loans, but this small increase was also of special significance, as the investment total on December 31, 1935, was an all time high point. Cash and balances due from banks increased to a new high on June 30 but later declined and on December 31, 1935, were practically the same as a year earlier. City banks remained free of debt on call dates throughout 1935.

Country Banks. Deposits at country banks increased steadily throughout the year as they have done in other recent years. On each successive call date since October 1933, deposits at country banks in this district have been higher than on any other call date since the depression low. At the end of 1935, country bank deposits were higher than on any other call date since 1931. Country bank loans increased during 1935 by about $35,000,000. Country bank investment holdings fluctuated somewhat during the year, but there was little net change. Cash and balances due from banks increased $25,000,000. Country bank borrowings increased slightly during the first half of the year, but were reduced during the last half to the smallest recorded amount in our records which start with 1913.

Bank Returns in the Ninth Federal Reserve District

(000's omitted, except in number of banks)

	Loans	Investments	Cash and Due from Banks	Deposits	Borrowings	No. of Banks
December 31, 1935						
Minnesota						
City Banks*	$162,279	$227,848	$150,671	$ 503,346	$ 0	13
Rural Minnesota	131,196	170,807	109,082	374,810	5	675
North Dakota	27,142	28,399	24,882	72,036	76	208
South Dakota	33,981	30,796	28,454	83,814	68	199
Montana	31,548	52,470	59,859	128,523	0	121
Michigan†	18,339	34,263	15,729	61,771	0	55
Wisconsin†	27,512	39,827	23,873	82,033	30	136
9th F. R. Dist.	$431,997	$584,410	$412,550	$1,306,333	$179	1,407
December 31, 1934						
Minnesota						
City Banks*	$140,785	$221,549	$150,022	$ 466,462	$ 0	14
Rural Minnesota	113,052	169,742	106,353	343,658	0	675
North Dakota	22,900	32,047	24,517	68,399	145	211
South Dakota	26,745	34,972	28,821	79,118	24	212
Montana	25,007	53,177	46,925	111,796	15	123
Michigan†	19,229	32,815	12,077	55,458	66	55
Wisconsin†	27,670	37,545	18,392	72,827	81	142
9th F. R. Dist.	$375,388	$581,847	$387,107	$1,197,718	$331	1,432

*Twin City national banks and Minn. savings banks and trust companies.
†Portion of state in the Ninth Federal Reserve District.

DISTRICT SUMMARY OF AGRICULTURE

Livestock Marketings

Receipts of cattle and calves at South St. Paul during February again decreased from the level of the preceding month and were a smaller percentage of the volume in the same month in the preceding year than in January. While the extremely cold weather throughout February doubtless affected the number of cattle received, there has been little improvement in the volume of receipts since it has moderated. In only one week since early last November have the weekly receipts of cattle been larger than in the corresponding week of the preceding year. Heavy butcher cattle continued scarce during February, but small lots of fed cattle began arriving in early March, weighing about 1400 pounds.

Canadian cattle exports to the United States received at all of the principal northern United States livestock markets during January, February and the first two weeks of March were 27,000 head compared with about 21,000 head during the same period last year, according to weekly livestock market reports issued by the Canadian Department of Agriculture.

Shipments of stocker and feeder cattle during February were reduced far below normal by the blizzardy weather and blockaded highways. An all time low record was established in the second week of the month when only 96 head were shipped out. Weekly stocker and feeder shipments have continued much smaller than last year despite the milder weather and improved road conditions. During the first three weeks of March, shipments were little more than half as large as in the same three weeks last year.

Median prices of slaughter cattle at South St. Paul during February were mostly lower than in January and in February last year, but the "top" for veal calves at $12.00 per hundredweight was the highest since 1930. Prices for heavy stocker and feeder steers were a little higher than in January and higher than in February last year, largely because of the active bidding for this class of cattle by both feeders and killers, resulting in a two-way demand. Weather conditions more favorable for livestock marketing resulted in a sharp increase in receipts late in February which, together with the beginning of the Lenten season, resulted in one of the most severe declines in cattle prices in many months. During the first three weeks of March, butcher cattle prices regained most of the loss suffered during the last week of February, and by March 19 were approximately at the February level with the exception of veal calves.

Hog receipts at South St. Paul during February continued larger than in the same month of the previous year despite the smaller supply of hogs available for marketing. February receipts, however, declined sharply from the January level. The average weight of hogs marketed in February was approximately the same as in January, but was more than 10 per cent larger than in February last year. The quality of the general run was good and shippers were active purchasers throughout the month. During the first half of March, receipts continued comparatively heavy, but all hogs received were readily

sold. Shippers' purchasers averaged 1,700 head per day, nearly 10 per cent of the South St. Paul receipts, compared with a daily average of only 225 head in the first half of March last year.

Hog prices rose steadily during the extremely cold weather in the early part of February and reached a high of $10.60 during the third week of the month. This was the highest February price since 1930, and the highest price at South St. Paul since early in October last year. With the arrival of more favorable weather, receipts increased rapidly and in the last week of the month average prices dropped to the lowest level of 1936. Since March 1 the continued strong shipping demand and an improvement in the wholesale prices for dressed pork have effected a substantial recovery, the average for the first three weeks of March being only a little below the average for February.

Sheep and lamb receipts at South St. Paul during February were less than three-fourths as large as in January but were a little larger than in February last year. Both lamb and ewe prices continued strong during the first half of the month, but with wholesale dressed lamb prices declining, lamb prices broke sharply during the third week and remained about a dollar lower than early February until the second week of March. Prices for fed ewes, however, continued strong, the "top" rising each week during February and the first three weeks in March, reaching $5.75, a new high since 1930.

The early spring lamb crop in the southwestern part of the United States was estimated to be about 6 per cent larger than in 1935 by the U. S. Department of Agriculture, but the condition of the lambs this year on March 1 was somewhat lower than on the same date last year. The extremely cold weather in January and February resulted in considerably higher death losses and in the lower condition of the lambs, which will probably delay the market movement of the lambs this year. However, because of the larger crop, total marketings of early lambs before July 1 will probably be larger this year than last, according to the report.

Cold Storage Holdings

Supplies of all important foodstuffs in cold storage in the United States on March 1 were smaller than the five year averages for that date with the exception of stocks of beef. Beef supplies on March 1 were 32 per cent larger than the average despite February withdrawals that were more than double the usual amount for that month. Butter stocks were nearly as small as the record breaking low stocks of March 1 last year although February withdrawals were smaller than average. Net withdrawals of both eggs and poultry were larger than usual in February. Pork and lard stocks both increased during February, but by much less than the usual amount. The net in-movement of lard was less than half of the 5 year average and the net increase in pork stocks was little more than one-quarter of the average increase. Co-incident with the heavy withdrawals of beef and the greatly reduced in-movement of pork, there was a much larger than average decrease in stocks of miscellaneous meats, resulting in a decrease of 11 million pounds in all meats instead of the average increase of nearly 50 million pounds. Total meat stocks on March 1 were only 70 per cent of the 5 year average, smaller than on any other March 1 in many years.

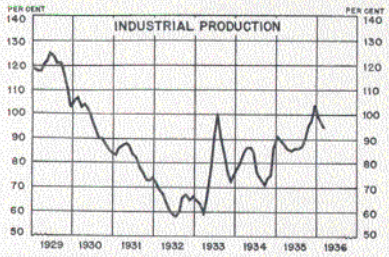
Farm Income

Farmers' cash income from the sale of seven important items was 20 per cent larger in February than in the same month last year. The increase was chiefly due to larger production and marketings. These estimates do not take into consideration government rental and benefit payments. Among important northwestern farm products, February prices were higher than a year ago for bread wheat, butcher cows, feeder steers, veal calves, hogs, lambs, butter, milk, hens, and potatoes. Prices were lower than a year ago for all of the other grains and for butcher steers and eggs.

Acreage Intentions, March 1, 1936

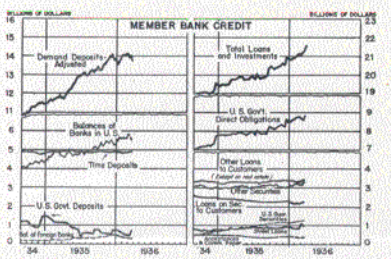
Prior to the release of definite information in regard to the 1936 plans of the national Soil Conservation Service, farmers of the United States had intended to plant about 30 million acres more for harvest in 1936 than they harvested in 1935, according to the government March 1 "Acreage Intention" report. The 30 million acres represented an increase of about 12 per cent. At the conferences for the development of the 1936 soil conservation program, the Secretary of Agriculture indicated that he hoped to **reduce** the acreage of soil depleting crops by about 30 million acres. In the past, except in those years when spring weather has been very unusual, it has been possible for the Department of Agriculture to forecast fairly accurately the relation the "March 1 intended acreages" will bear to the acreages actually planted, but this year, in view of the announcement of the Soil Conservation Service program between March 1 and planting time, it is not expected that any forecasts of the acreages to be planted will be made.

In the four complete states in the Ninth Federal Reserve District farmers intended to increase their acreages in the aggregate by about 10 per cent, the increases ranging from a slight increase of 1 per cent in Minnesota to over 20 per cent in Montana. Increases were indicated for all of the eight most important crops in this district with the exception of oats, barley, and potatoes. The largest increase for spring sown crops was indicated for wheat, increases of 25 per cent and 18 per cent being indicated for durum and spring bread wheats. The largest decrease was indicated for potatoes, the March 1 intended acreage figure being about 5 per cent smaller than the acreage harvested last year.

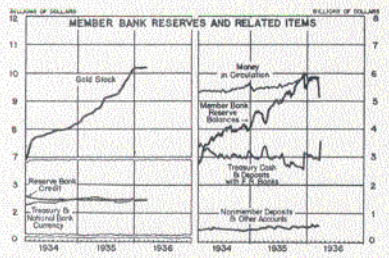


Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average—100. By months, January, 1929 to February, 1936.

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



Wednesday figures for reporting member banks in 101 leading cities September 5, 1934, to March 18, 1936.



Wednesday figures. January 31, 1934, to March 18, 1936.

Summary of National Business Conditions

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

The volume of industrial production and employment showed little change in February, and the index of production, which makes allowance for seasonal changes, declined from 98 to 95 per cent of the 1923-1925 average. Distribution of commodities continued at about the January level.

PRODUCTION AND EMPLOYMENT: The daily average output in basic industries was in about the same volume in February as in January. Since usually there is an increase in manufacturing activity at this season, the Board's seasonally adjusted index of factory output showed a decline. The output at mines increased. There was a substantial further decrease in automobile production in February, and the rate of operations at steel mills increased by less than the usual seasonal amount. In the first half of March production of steel expanded seasonally and output of automobiles showed a more than seasonal increase. There was little change in the volume of lumber cut in February although an increase usually occurs in that month. At woolen mills production increased by about the seasonal amount, while activity at cotton textile mills, which is usually larger in February than in January, decreased, and at silk mills there was a larger than seasonal decline. Output at meat packing establishments also declined. There was a substantial increase in the mining of both anthracite and bituminous coal, while output of crude petroleum declined somewhat.

Factory employment increased by less than the usual seasonal amount between the middle of January and the middle of February. There was little change in the number of workers at steel mills and a decrease in the number employed at automobile factories, although increases are usual in these industries in February. Employment declined at silk and rayon textile mills and showed a smaller than seasonal increase at shoe factories. Increases in employment were reported for railroad repair shops, for printing and publishing establishments, and for factories producing wearing apparel. Factory payrolls, which are usually larger in the middle of February than a month earlier, showed no change.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in February. Awards for residential construction showed little change, and there was a decrease in the value of awards for all other contracts, a large part of which were for public projects.

DISTRIBUTION: Department store sales showed little change from January to February and, after allowance for seasonal variation, were at about the same level as that prevailing last summer and autumn. Freight car loadings increased by a small seasonal amount in February. Loadings of coal were considerably larger than in January, while shipments of miscellaneous freight declined, and the Board's seasonally adjusted index of total loadings remained at the January figure of 70 per cent of the 1923-1925 average as compared with 71 per cent in December and an average of 63 per cent for 1935.

COMMODITY PRICES: The general level of wholesale commodity prices declined somewhat during the latter part of February and the first half of March, following a six month period of little change. The recent downward movement reflected declines in prices of farm products and foods.

BANK CREDIT: Excess reserves of member banks decreased by $650,000,000 during the four weeks ending March 18 and on that date amounted to $2,400,000,000. This decrease reflected chiefly a transfer of funds to Treasury deposits at the reserve banks in connection with receipt of income taxes and of cash payments for newly-issued government securities.

Loans and investments of reporting member banks in leading cities increased rapidly in March and on the 18th of the month were $525,000,000 higher than four weeks earlier. Of this increase $190,000,000 represented a growth in holdings of direct and guaranteed obligations of the United States Government and $80,000,000 an increase in other investments. Security loans both to brokers and dealers and to others increased, and there was a substantial growth in so-called "other loans," which include loans for commercial purposes.

Adjusted demand deposits of reporting member banks declined by $340,000,000 during the four weeks ending March 18. Balances held for domestic banks increased at the turn of the month as banks in the interior sold government securities in New York in anticipation of maturities. During the week ending March 18 balances declined, partly as the result of banks throughout the country purchasing in the New York market government securities issued on March 16.