MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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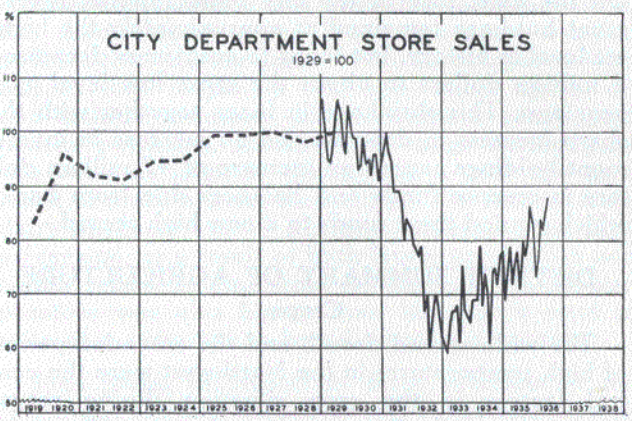
DISTRICT SUMMARY OF BUSINESS

The volume of business in the district during June was well maintained, and if bank debits can be trusted, the trend of business continued upward during the first three weeks of July in spite of the paralyzing effect of the drouth on large sections of the Northwest. The adjusted index of bank debits at ninety-four cities rose one point from May to June, but did not quite reach the level of April, 1936, which was the high point for the recovery movement. This bank debits index is heavily weighted with transactions in the Twin Cities and Duluth. Our index for bank debits in the farming centers exclusively rose from 80 in May to 83 in June, reaching the highest point since April, 1931. For the four weeks ending July 22, bank debits at seventeen cities were reported in a volume which, if continued during the remainder of the month, will raise the bank debits index for large and small cities combined to 87, which would be a new high for the recovery period.

The majority of our other adjusted indexes rose between May and June. Country check clearings and department store sales reached the highest levels of the recovery period. The index of miscellaneous freight carloadings rose two points, but did not exceed the levels of last winter and spring. L.C.L. carloadings remained unchanged, and there was a minor decline in the country lumber sales index from the recovery peak reached in May.



Index of Department Store Sales of Minneapolis, St. Paul and Duluth-Superior, adjusted for Seasonal Variation.

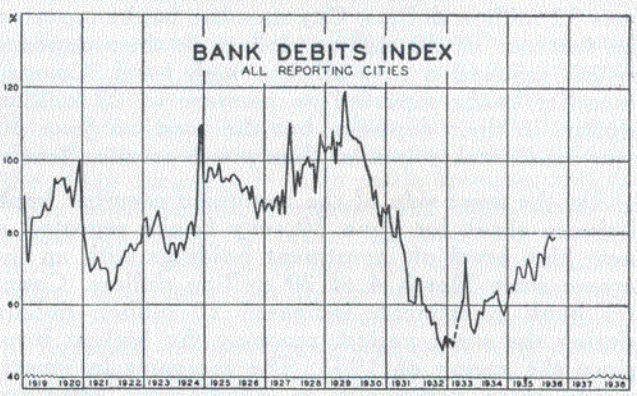
Northwestern Business Indexes

(Varying base periods)

	June 1936	May 1936	June 1935	June 1934
Bank Debits—94 Cities	79	78	68	62
Bank Debits—Farming Centers	83	80	70	59
Country Check Clearings	146	139	124	102
Department Store Sales	88	86	78	71
Country Lumber Sales	88	90*	71	47
Miscellaneous Carloadings	81	79	65	66
L.C.L. Carloadings	61	61	59	60

*Revised.

The June volume of business was materially higher than the volume in June last year. Bank debits for the district were up 16 per cent, and in the southern dairying, mixed farming, and livestock feeding sections of Minnesota and South Dakota the bank debits increases amounted to 33 per cent. Country check clearings were 18 per cent larger than last year with Minnesota and Montana reporting the largest increases. Freight carloadings in June were 45 per cent larger than in June a year ago, with all classifications showing important increases except coal and L.C.L. merchandise. The largest percentage increases occurred in livestock, forest products, and ore. Practically all of the other indexes of business volume in the Northwest showed increases over 1935, including electric power consumption, building permits and contracts, real estate activity in Hennepin and Ramsey counties, flour and linseed product shipments, copper output, butter production, marketings of durum wheat, rye and flax, receipts of cattle, calves and hogs, country lumber sales, and wholesale trade. The only de-



Bank Debits Index for Reporting Cities in the Ninth Federal Reserve District, adjusted for Seasonal Variation.

creases reported were in marketings of bread wheat and sheep.

Retail trade in the district continued to be larger than a year ago. Nineteen city department stores reported a 12 per cent increase in June over the same month last year, and three hundred and fifty-eight country stores reported a 13 per cent increase. There was only one sub-division of the rural Northwest which reported a decrease in sales as compared with June last year. This area was in South Dakota west of the Missouri River. The remainder of the area where drouth was beginning to be a factor reported increases in sales over a year ago, although the increases were not as large as the district average.

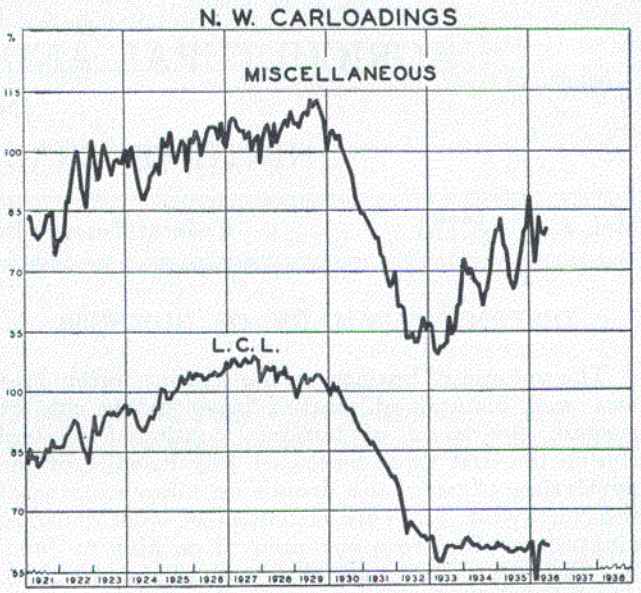
Retail Trade

		% June, 1936, of June, 1935
Mpls., St. Paul, Duluth-Superior	(19 stores)	112
Country Stores	(358 stores)	113
Minnesota—Central	(16 stores)	119
Minnesota—Northeastern	(6 stores)	128
Minnesota—Red River Valley	(8 stores)	116
Minnesota—South Central	(27 stores)	109
Minnesota—Southeastern	(17 stores)	116
Minnesota—Southwestern	(30 stores)	109
Montana—Mountain	(14 stores)	119
Montana—Plain	(35 stores)	115
North Dakota—North Central	(11 stores)	119
North Dakota—Northwestern	(9 stores)	113
North Dakota—Red River Valley	(25 stores)	106
North Dakota—Southeastern	(24 stores)	105
North Dakota—Southwestern	(3 stores)	124
South Dakota—West River	(6 stores)	95
South Dakota—Southeastern	(15 stores)	103
South Dakota—Other Eastern	(46 stores)	109
Wisconsin—West Central	(35 stores)	111
Northern Wisconsin and Mich.	(31 stores)	117
Ninth District	(377 stores)	112

DISTRICT SUMMARY OF BANKING

A preliminary tabulation of member bank called reports on June 30, 1936, shows that deposits of member banks in this district rose above the billion dollar mark for the first time since recovery began. The increase from March 4, 1936, to June 30, 1936, was 52 million dollars. City member banks reported an increase of 30 million dollars in their deposits which reached a new all-time high level. Country member banks reported an increase of 22 million dollars in their deposits, but the total on June 30 was considerably smaller than pre-depression levels.

On the asset side of the combined member bank balance sheet for June 30, city banks reported a new high level of investment holdings with an increase since March 4 of 29 million dollars. Country bank investments increased 16 million dollars during the same period, reaching the highest level since the spring of 1931. The increases in investments were principally in government securities although some other securities were also purchased. Loans to customers declined between March 4 and



Carloadings of Miscellaneous Commodities and Less-than-Carlot Freight in the Northwestern District, adjusted to remove Seasonal Variation.

June 30 at both city and country banks, the total decrease amounting to 22 million dollars. The decline in loans was more pronounced at city banks than at country banks. It is interesting to note that member banks in the district have been reporting increasing amounts of city real estate loans since the fall of 1935, and that during the last quarter, loans on farm land also increased. However, the amount of increase in each class of real estate loans was very small.

The weekly condition reports of city member banks in the district show that the increase in city bank deposits continued during July. From June 17 to July 15, deposits at these banks rose 37 million dollars to the highest level in history. All classes of demand deposits reached new high points during recent weeks, and time deposits increased slightly. On the asset side of the city bank reports, investment holdings remained at approximately the highest level in history, but loans to customers decreased 9 million dollars to about the same low level as a year ago. This shrinkage in loans together with the sharp increase in deposits and no increase in investment holdings caused an increase of 47 million dollars in reserve funds and balances due from banks which carried these funds to a new high record.

DISTRICT SUMMARY OF AGRICULTURE

Crops

The wide spread drouth and the extended period of high temperatures in the Northwest were the central factors in the crop situation during recent weeks. The full effects of these factors will not be apparent until later government crop reports have been issued, for the greater part of the drouth pe-

riod occurred during July. Nevertheless, the government crop estimates, as of July 1, for the four states of Minnesota, North Dakota, South Dakota, and Montana predict a crop of small grain only about half as large as the average. Corn was in an earlier stage of development and fortunately the corn crop is mainly produced outside of the area which has been most seriously affected by the drouth. Accordingly, the July 1 forecast of the corn crop, while below normal, did not show as serious reduction as was reported for the small grains. The government July 1 forecast with comparative figures follows:

July 1 Government Crop Forecast for Minnesota, North Dakota, South Dakota, and Montana, with Comparisons

(In Bushels)

	1936	1935	10 yr. avg.
Bread Spring Wheat	56,306,000	97,806,000	122,530,000
Durum Wheat	9,610,000	26,777,000	44,097,000
Winter Wheat	10,600,000	14,704,000	13,410,000
Rye	9,834,000	30,324,000	19,966,000
Oats	128,940,000	311,296,000	224,386,000
Barley	51,627,000	150,752,000	106,573,000
Flax	8,221,000	13,772,000	14,372,000
Corn	189,666,000	224,469,000	232,269,000

Farm Income and Prices

Farmers' cash income in this district during May and June was considerably higher than a year ago, and in fact was running at the highest level since 1930. Complete government estimates for May, covering the four states of Minnesota, North Dakota, South Dakota, and Montana, show farm income of $48,633,000 as compared with $34,799,000 in May last year. There were increases both in receipts from the sale of crops and in receipts from livestock and livestock products. Government rental and benefit payments included in the above totals amounted to $7,000,000 in May, 1936, as compared with $2,000,000 in May, 1935.

Estimates made in this office for farm income in this district from seven important items totalled $30,615,000 during June, 1936, as compared with $23,437,000 in June a year ago. These figures do not include estimates of government rental and benefit payments. Income from hogs during June was twice as large as the income a year ago as a result of much heavier marketings. The income from dairy products was 19 per cent larger in June than a year ago, as a result of both larger production and higher prices. Income from marketings of grain and potatoes was also higher than last year's total in spite of a reduction in bread wheat marketings.

June prices of important farm products in the Northwest showed mixed trends, as compared with a year ago. Prices of wheat, rye, flax, calves, lambs, butter, milk, hens, and potatoes were all higher than last year's prices, whereas prices of corn, oats, barley, butcher steers, feeder steers, and eggs were lower than last year's prices. The median price of hogs was exactly the same in the two years. The farm product price index computed by the University of Minnesota stood at 78 in June, 1936, as compared with 79 a year earlier, using June of 1924-26 as a base.

Livestock Marketings

Receipts of cattle and calves at South St. Paul increased sharply during June, repeating the trend shown early in the drouth year of 1934. June, 1936, cattle receipts were more than double receipts in June last year. Despite the larger receipts, June prices for all classes of cattle were about the same as in May, a slight decline in lightweight stocker and feeder steers being accounted for by the large number of thin and low-grade animals that were shipped from the dryer sections of the district.

During the first three weeks of July, receipts at South St. Paul continued at more than double the volume of the same three weeks last year, as a result of forced drouth marketings. Receipts at the seven important midwest markets were also much larger than a year ago. The pressure of the heavier receipts decreased average prices somewhat, but there were no drastic reductions except in the case of calves which sold from $5.00 to $9.50 in the middle of June but only made $2.50 to $7.50 in the third week of July.

Imports of Canadian beef cattle into the United States during the period January 1 to July 16 totalled 125,912 head, compared with 97,227 in the same period last year. Imports of Canadian dressed beef, however, were only 1 million pounds in the first five months of this year, compared with more than 4 million pounds during the same period in 1935. Thirty-one thousand Canadian calves were imported during the January 1-July 16 period this year, compared with only 2 thousand a year ago, whereas imports of Canadian dairy cattle totalled only 7 thousand this year, compared with 8 thousand in the same period last year.

Shipments of stocker and feeder cattle were much larger in June than in the same month last year and were larger than in any month since last November. As stated above, thin and lightweight cattle from the drouth stricken areas were largely responsible for the sharp increases in June cattle receipts, and for some price decline. However, the slight price decrease uncovered a broad demand for stockers from those sections of this and adjacent districts where both feed and forage are ample and prevented any serious price declines. A recent change in livestock sanitary regulations governing country cattle shipments that became effective at the end of the month had a noticeable effect on prices obtained for cattle from fully accredited areas. Under the new regulations the sanitary inspection of feeder

cattle is entirely dependent on the regulations of the state into which the cattle are to be shipped. Some states require no further test or examination and consequently from those states demand was very strong for "accredited area cattle" and they sold about twenty-five cents a hundredweight higher than cattle that were not from accredited areas.

During the first half of July, shipments of feeder cattle increased rapidly and were several times larger than in the same weeks last year. The very large increase in supplies resulted in some price declines and at the middle of July, prices were lower than at any time since January, 1935.

The dairy cow market at South St. Paul was strong to steady during the first half of June but showed some seasonal weakness during the latter half of the month. The price range for the month, $40-85, was a little lower than for May, but both prices and demand for springers suitable for shipment to eastern points continued strong. During the last week of the month and in early July, the market turned dull and prices declined. Higher feed costs, the gradual decline in condition of pastures in some of the important dairying sections because of insufficient rainfall, and slightly lower prices for killer cows all contributed to the lower demand.

During the first half of July, dairy cow prices reflected the sharp narrowing in local demand because of the rapid deterioration of nearby pastures, but recovered about mid-month in anticipation of the increased basic price to be paid for milk beginning the latter part of July. At mid-month, prices ranged from $70 per head for well grown cows suitable for eastern shipment to $40 for ordinary springers for local purchase.

Hog receipts at South St. Paul during June this year were larger than May receipts for the first time since 1930. Another outstanding feature of the June hog market situation was the strong demand from both packers and shippers. A third feature of the June hog marketing situation was the establishment of a top of $11.00 per hundredweight which has not been exceeded since September last year. Demand for heavy hogs (300 pounds and over) was not as broad as for lightweights and consequently sellers of heavy hogs were unable to raise prices much above the May level which was the lowest for the year to date.

During the first half of July, hog receipts at South St. Paul as well as other principal midwest markets were far above receipts in the same period in 1935. Increased receipts and decreased consumer demand for pork owing to the unusually long and severe heat wave, resulted in slightly lower prices, but at the middle of the month, prices were still close to the April, 1936, high.

Sheep and lamb receipts at South St. Paul in June were a little larger than in May but much smaller than in June last year. Prices were steady to strong throughout most of the month, chiefly because of the moderate market receipts at South St. Paul and other principal midwestern markets. On Monday, June 29, however, prices for local slaughter lambs dropped sharply, followed rapidly by further declines on the succeeding days. The principal reason for the decline was the beginning of the marketing season for Washington lambs, a large number of which are marketed at South St. Paul and which for many years have obtained some price premium at that market.

During the first part of July, sheep and lamb receipts continued to be smaller than in the same period last year but as the drouth destroyed ranges and pastures, receipts increased rapidly at South St. Paul and in the second full week of July were twice as large as in the same week last year. Both lamb and ewe prices declined slightly during the first half of July. Fat ewe and feeder lamb prices declined to the lowest level since last fall.

Cold Storage Holdings

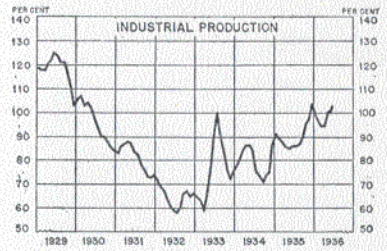
Cold storage holdings in the United States during June continued favorable to the producer of farm products. In spite of the increase in butter production, the holdings of butter in cold storage increased by slightly less than the seasonal amount during June. Cheese and lard also showed subnormal increases during the month, and holdings of beef declined by more than the usual amount. On the other hand, there was a small increase in poultry holdings as against the usual decline during June, and pork decreased by less than the normal amount. As a result of these diverse changes in cold storage holdings, quantities held on July 1st were smaller than the five-year average for the date in the case of butter, eggs, pork, lard, lamb and mutton, and miscellaneous meats, and larger than average in the case of cheese and poultry. Stocks of beef which had been above the average almost continuously since the drouth marketings of 1934 were reduced to the average amount on July 1.

United States Cold Storage Holdings

(In thousands of pounds)

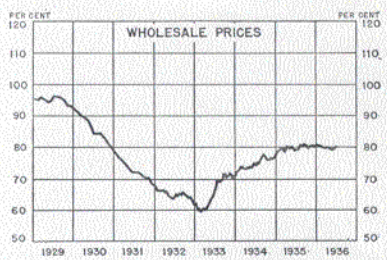
	July 1, 1936	July 1, 1935	July 1 5-year Average
Beef	42,225	55,653	42,344
Pork	431,292	445,307	666,677
Lamb and Mutton	1,123	2,376	1,866
Miscellaneous Meats	56,979	52,697	61,795
Total Meats	530,619	556,033	772,682
Lard	106,892	84,680	142,398
Cream*	197	245	243
Butter	75,249	96,574	89,272
Cheese	85,781	75,291	79,097
Eggs†	10,259	10,679	11,445
Poultry	42,918	47,051	39,516

*Thousand cans. †Thousand cases.

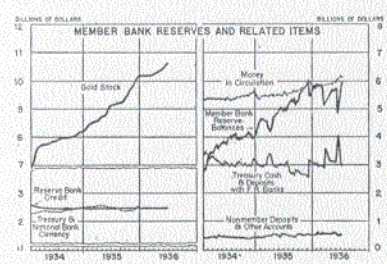


Index of Physical Volume of Production Adjusted for Seasonal Variation, 1923-1925 Average=100. By months, 1929 to June, 1936.

Index of Number Employed, Adjusted for Seasonal Variation, 1923-1925=100. By months, January, 1929, to June, 1936.



Index compiled by the United States Bureau of Labor Statistics (1926=100). By months, 1929 to 1931. By weeks, 1932 to date. Latest figure is for week ending July 18, 1936.



Wednesday figures, January 31, 1934, to July 22, 1936.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 24, 1936.

The volume of production, employment, and trade was sustained in June at the May level, although usually there is a decline at this season. Wholesale prices of commodities advanced between the middle of May and the third week of July, reflecting in part the effects of the drouth.

PRODUCTION AND EMPLOYMENT: The Board's seasonally adjusted index of industrial production increased from 101 per cent of the 1923-25 average in May to 103 per cent in June. Steel production continued at about 70 per cent of capacity in June and the first three weeks of July, although a considerable decline is usual at this season. Output of automobiles declined seasonally. The cut of lumber showed a seasonal rise in June following a substantial increase in the preceding month. Production increased at woolen mills and was sustained at cotton mills where a decline is usual in June. Output of foods increased.

Factory employment and payrolls showed a slight increase between the middle of May and the middle of June, contrary to seasonal tendency. Steel mills and plants producing machinery employed more workers, and at automobile factories there was less than the seasonal decline. At textile mills employment was unchanged, although a decline is usual in June, while the clothing industries reported a decrease in the number employed.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased somewhat from May to June and continued to be substantially larger than a year ago. There was a further increase in residential building.

AGRICULTURE: Crop estimates by the Department of Agriculture on the basis of July 1 conditions indicated little change from last year for wheat and corn and considerable declines for oats, hay, potatoes, and tobacco. Since July 1 prospects have been reduced by extreme drouth over wide areas. Cotton area in cultivation on July 1 was estimated by the Department of Agriculture at 30,600,000 acres, compared with 27,900,000 acres last year and an average of 41,400,000 acres in the years 1928-1932.

DISTRIBUTION: Freight carloadings increased seasonally in June, and the distribution of commodities to consumers was maintained at the May level. In recent months retail trade, as measured by sales of automobiles and by the volume of business of department, variety, and mail order stores, has expanded considerably.

COMMODITY PRICES: The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced by about 3 per cent between the middle of May and the third week of July, following a decline of about the same amount earlier in the year. Prices of wheat, flour, feed grains, and dairy products advanced sharply, owing primarily to the drouth, and there were increases also in the prices of hogs and pork, cotton and cotton textiles, silk, rubber, copper, and finished steel.

BANK CREDIT: Gold imports, which had been in large volume in May and June, declined in July. Funds held by the Treasury as cash and on deposit with Federal Reserve Banks declined, as the result of disbursements in connection with the cashing of veterans' service bonds. Consequently, reserve balances of member banks, which had declined in June, rose once more to their previous level.

Total loans and investments of reporting member banks in leading cities, after increasing sharply at the end of May and the early part of June, declined somewhat in the four weeks ending July 15, reflecting largely a reduction in loans to security brokers and dealers in New York City.

Balances held for domestic banks increased by $800,000,000 during the period, as a consequence of redeposit with reporting banks of a considerable part of funds acquired by banks through Treasury disbursements.