MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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The February volume of business was a little below that of January but was higher than in any February since 1931. Deposits at both city and country member banks decreased but were larger than a year ago. Retail and wholesale sales throughout the district were larger than in February last year. Farmers' cash income was 11 per cent above the February 1936 level and the largest February since 1931. Farm product prices were as high or nearly as high as in January and much higher than a year ago.

DISTRICT SUMMARY OF BUSINESS

The February volume of business in the Ninth Federal Reserve District as measured by bank debits continued to be much larger than one year earlier but was somewhat smaller than in the preceding months. Incomplete reports for the first half of March, however, indicate that the March bank debits index will be the highest for that month since 1930. The seasonally adjusted department store sales index and the L.C.L. carloadings index were the only indexes that were higher than in January of this year but they were all higher than in any February since 1930 or 1931. The L.C.L. carloadings index was higher than in any month since March 1932.

Northwestern Business Indexes

(Varying base periods)

	Feb. 1937	Jan. 1937	Feb. 1936	Feb. 1935
Bank debits—94 cities	81	86	71	64
Bank debits—Farming centers	81	85	69	67
Country check clearings	143	143	120	120
Department store sales	86	80	77	73
Country lumber sales	74	91	59	74
Miscellaneous carloadings	99	99	72	83
L. C. L. carloadings	68	66	52	61

The rise in business volume over that of the same month in preceding years continued to be quite general during February. Bank debits at the various reporting groups of cities were all much larger than in February last year which was the highest February since 1931. Larger marketings of livestock at higher prices and the largest February government payments on record were the principal factors in the large increase over February last year. Freedom from snow blockaded roads and a substantial increase in copper output contributed to the increase. Country check clearings were the largest on record for February with each of the four sections showing increases over February last year ranging from 14 to 25 per cent. Carloadings of miscellaneous freight and merchandise, which are excellent indicators of the status of general business, were far above the level of a year ago and the largest February since 1931. Total carloadings, despite important decreases in shipments of grain and grain products and coal, were also larger than in any February since 1931. Residential contracts awarded were nearly twice as large as in the same month last year. The volume of livestock marketings was much larger than a year ago with the exception of cattle which was about the same as in February last year when the greatly increased Canadian imports are included. Potato income during February was the highest for that month since 1930. Prices for practically all items of farm production were higher than a year ago, the only important exceptions being eggs and poultry. Copper output in the district was nearly one-third higher than in February last year as a result of the world-wide increased demand and higher prices. The production of silver was more than one-quarter larger than in February, 1936.

Retail trade throughout the district was in larger volume in February than in the same month last year according to reports from 21 city department stores and 464 country department and general stores. A 13 per cent increase was reported for the two groups combined, country stores reporting 17 per cent and city stores 11 per cent. Every section of the district showed some increase. The largest increases were reported by the southwestern and northwestern sections of North Dakota. Weather in February this year was much more moderate than the record-breaking cold weather a year earlier which probably accounted for the large increases in some of the outlying sections. Southeastern South Dakota and southwestern Minnesota each reported a much larger volume of trade as a result of increased prices and income from sales of beef cattle and hogs. The mountain section of Montana with increased copper production operations and the "other eastern" section of South Dakota were both well above the average.

Other increases over last year were reported for sales of lumber at 473 country lumber yards, carloadings of coke, forest products and ore, warranty deeds recorded in Hennepin and Ramsey Counties, and the dollar volume of wholesale sales of groceries, hardware and shoes. Building permits, both in number and valuation, were much larger than in February last year when unusually low temperatures forced a postponement of some building operations. Decreases from the February 1936 volume were reported for electric power consumption in the district, life insurance sales, non-residential contracts

awarded, flour and linseed product shipments, butter production, and the volume of grain marketings. Gold production was also a little below the volume in the same month one year earlier for the first time in many months.

Retail Trade	No. of Stores	% Feb. 1937, of Feb. 1936	% 1937 of 1936
Mpls., St. Paul, Duluth-Superior	21	111	109
Country stores	464	117	111
Minnesota—Central	30	112	110
Minnesota—Northeastern	15	108	115
Minnesota—Red River Valley	15	100	105
Minnesota—South Central	31	116	115
Minnesota—Southeastern	22	113	117
Minnesota—Southwestern	41	127	122
Montana—Mountain	20	122	109
Montana—Plains	37	119	111
North Dakota—North Central	16	113	121
North Dakota—Northwestern	13	142	132
North Dakota—Red River Valley	25	109	102
North Dakota—Southeastern	29	109	109
North Dakota—Southwestern	5	146	131
South Dakota—Southeastern	16	129	107
South Dakota—Other Eastern	58	122	105
South Dakota—Western	9	111	100
Northern Wisconsin and Michigan	41	113	115
West Central Wisconsin	41	112	113

DISTRICT SUMMARY OF BANKING

City Member Banks. Deposits at city member banks decreased another $5 million during the four weeks ending March 17 as a result of a drop of $17 million in commercial demand deposits that was not entirely offset by increases in public demand deposits and balances due to other banks. Time deposits were unchanged. Loans to customers increased $2 million and city member bank balances with this Federal Reserve Bank increased $2 million and on March 17 were $4 million in excess of the amount required by the new reserve requirements that became effective March 1. In order to meet the decrease in deposits, grant additional loans and at the same time increase their balances with us, city member banks decreased their commercial paper holdings $1 million, investments in government securities $4 million and reduced their balances at other banks by an additional $4 million.

Country member banks. The daily average of gross demand and time deposits at country banks decreased $3 million between the last half of January and the last half of February. Balances due from other banks decreased $7 million, more than twice the decrease in total deposits, indicating some increase in the volume of earning assets. Reserve balances at this Federal Reserve Bank were unchanged. Gross demand deposits in Minnesota, Montana and South Dakota each showed small reductions, but were offset in part by a small increase in Wisconsin, which was the only section of the district to show any increase. Compared with the daily average for the last half of February 1936, gross demand deposits were $28 million or 10 per cent higher, time deposits were $16 million or 6 per cent higher and balances due from banks were $6 million smaller. The lower "due from" total was largely offset by an increase of more than $4 million in reserve balances with us.

District Changes in Banking in 1936

During 1936 total deposits at all banks in this district continued to increase at about the same rate as in the preceding 2½ years, according to records compiled from abstracts of state and national bank called reports. Beginning with the latter part of 1933, when deposits were the lowest since 1916, total deposits at all banks in the district have increased at the rate of more than $125 million a year, a total increase of $431 million or 43 per cent in a little more than three years.

The volume of loans at all banks in the district declined during 1936. Bank loans to customers in this district have declined each year since 1929 with the exception of 1935. Investment holdings at all banks in the district continued to increase during 1936 and for the fourth successive year were larger than outstanding loans at the year end call date. At the end of 1936 they had reached a total of nearly $700 million which was considerably in excess of any previous total. Investments have exceeded loans in each state or part state in the district on every call date during the years 1934, 1935 and 1936 with the exception of brief periods in 1935 when loans temporarily exceeded investment holdings in North and South Dakota.

The number of banks in the district continued to decrease during 1936, partly as a result of the policy of the FDIC—the consolidation of smaller insured banks with larger institutions—and partly as a result of the continued development of branch banking in South Dakota. There was a net increase of ten state banks in Minnesota but this was largely offset by a decrease of eight national banks. The December, 1936, abstracts included reports from only 1,387 member and non-member banks compared with 1,407 one year earlier.

Cash reserves of all banks in the district increased nearly $50 million during the first half of 1936 to establish an all-time high record of $461 million on June 30 and were only slightly smaller on December 31. Payment by the United States Treasury of Veterans' Adjusted Compensation Certificates totaling more than $41 million prior to June 30 was largely responsible for the strong cash position of banks at the time of the mid-year call.

Borrowings continued to decline during the year and at the end of 1936 amounted to only $58 thousand, the lowest total in the 23 years included in our records.

City Banks. While the increase in deposits at city banks during 1936 was less than one-third as large as at country banks, it was even more spectacular because of the all-time record high level of deposits at the beginning of the year. A new record volume of deposits was reported on June 30 which in turn was surpassed by the total reported at the end of the year. Loans to customers decreased rapidly during the first half of 1936 to the lowest level since 1914, but increased during the latter half of the year and on December 31 were only a little

below the total reported one year earlier. Investments increased regularly throughout the year and established an all time high record of $243 million December 31. Cash reserves declined about 10 per cent during the last six months of the year from the June 30 all time high. A reduction of nearly one-half million dollars was made in "other real estate" holdings of city banks. No borrowings were reported on any call date during the year.

Country Banks. Deposits at country banks in each of the states and part states in this district increased during 1936. Country bank deposits have increased continuously since the low of the depression but much more slowly than at city banks. Deposits at all country banks at the end of 1936 were higher than at any time since 1931. Most of the increase during 1936 occurred at country banks in Michigan, Minnesota, and Montana.

Despite small increases in the volume of loans at country banks in Minnesota and Wisconsin, total loans at all country banks in the district declined slightly during the year. Investment holdings increased throughout the year and on December 31 exceeded the March 1929 volume which had been the previous high total. Cash reserves at country banks continued to increase during the last half of the year and established a new high record on December 31. There was an increase of about a quarter million dollars during 1936 in the amount of "other real estate" held by country banks and a decline in borrowings to the lowest total on record.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Receipts from the sale of crops, livestock, livestock products, and government payments during January in the four complete states of this district as estimated by the USDA at Washington totaled nearly $46 million. This was 17 per cent higher than in January last year and the highest total for January in any year since 1931. The South Dakota estimate was 6 per cent smaller than in January last year, principally because of the large reduction in the amount of income from the sale of crops, and was smaller than in any other January of the recovery period with the exception of 1935 when January crop marketings were affected even more adversely by the drouth of the preceding season. Soil conservation payments during January in our four states totaled $8 million, the largest volume of government payments in January on record.

Our estimates of farmers' cash income from the sale of seven important agricultural products during February were 10 per cent above February last year largely because of substantial increases in income from the sale of potatoes and hogs. These estimates do not include government payments. Potato marketings during February this year were much larger than in February, 1936, when marketings were sharply curtailed by sub-zero temperatures. In addition, the February potato price this year was higher than in any month since June, 1927, and February potato income the highest since 1930. Income from marketings of bread and durum wheats and rye was smaller than in February last year because of a smaller volume.

Prices for all the grains were higher in February this year than one year earlier. Butter, hen, and egg prices were lower in February than a year ago and milk and potato prices were higher than in February last year. Prices for most classes of livestock were higher although lambs and veal calves sold at somewhat lower levels and light stocker and feeder steer prices were unchanged.

The farm product price index of the University of Minnesota rose one point to 107 in February, the highest February since 1929 and the highest in any month since October of that year. The February, 1936, index figure was 87.

Live Stock and Live Stock Products

Receipts of cattle at South St. Paul declined seasonally during February despite the continuation of increased imports of Canadian cattle. Total cattle receipts during the first 2 months of 1937 were 8 per cent larger than in the first 2 months of 1936. Calf receipts declined slightly from the January level but were much larger than in the corresponding month last year. Cumulative receipts of calves in 1937 were nearly one-third larger than in the same months last year. The February median price for calves dropped sharply from the unusually high level for January and was much lower than in February last year. Butcher cattle prices showed little change from January but most classes were much higher than in February last year. During the first three weeks of March, butcher cattle receipts were a little larger than in the latter part of February but a stronger demand held prices firm. Long-fed heavyweight cattle were scarce resulting in higher quotations for that grade of butcher stock.

Shipments of stocker and feeder cattle continued the seasonal decline in February but were much larger than in the same month a year ago. January-February shipments very nearly equalled shipments in the first two months of last year despite the unusually low volume of shipments in January. Prices for both light and heavy stocker and feeder steers increased during the month to about the same level as in February last year. Prices for steers over 800 pounds were stronger than lighter steers and the top for the month, $9.25, was higher than in any month since March 1935. With the arrival of more favorable weather during the first three weeks of March, shipments continued to be larger than in the corresponding period a year earlier.

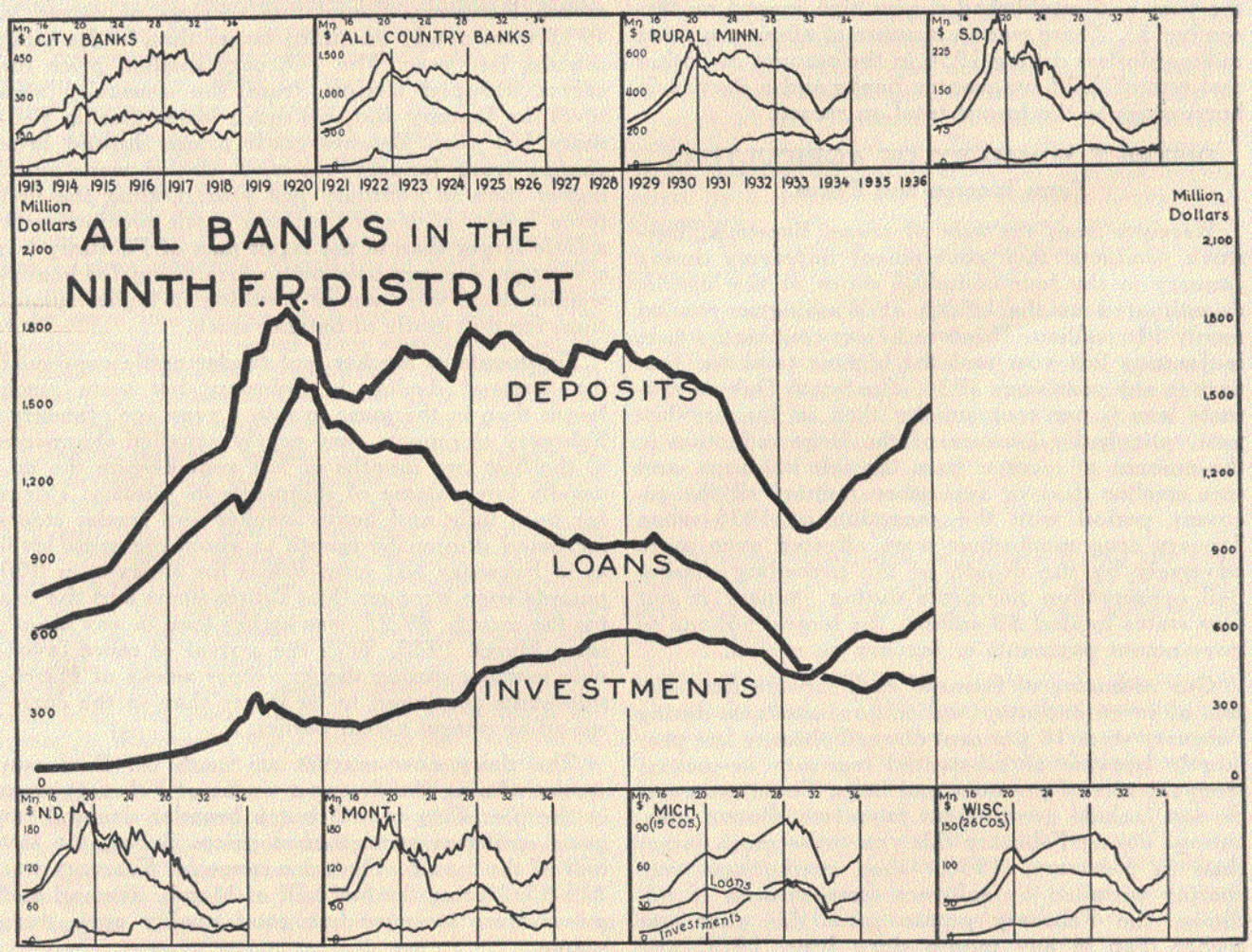
The dairy cow market at South St. Paul was weaker during the first two weeks of February than in the preceding month but a broader demand for good springers strengthened prices during the last half of the month. The price range for February was $75-35. During the first half of March, demand and prices were stronger but good quality cows were scarce.

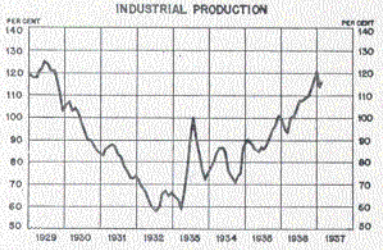
Imports of Canadian cattle and calves in February continued in a volume only slightly below that of January and at the end of the second week in March were one-fourth of the 1937 annual quota. Beef cattle imports have increased much more rapidly than imports of dairy cattle and at the end of the first 10 weeks in 1937 were nearly twice as large as in the same period last year.

Hog receipts at South St. Paul were in a much smaller volume in February than in the preceding month, were far greater than in the same month last year and were the largest in any February since 1934. Total hog receipts during the first two months of this year were 27 per cent larger than in the same two months in 1936. Receipts during the first five months of the 1936-1937 hog marketing season were 1,134 thousand compared with 584 thousand in the same 5 months of the preceding season. The continuation of relatively large hog receipts resulted in small price declines to the February 1936 levels. During the first three weeks of March, receipts were slightly under the February volume but continued larger than in the same period a year ago.

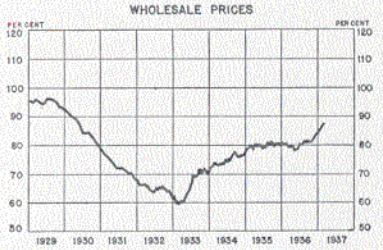
Receipts of sheep and lambs during February were little more than half as large as in the preceding month but were somewhat larger than in February last year and were the largest February receipts since 1933. Despite the heavy receipts, both lamb and ewe prices continued to rise and were at approximately the same level as in February last year. Wool prices advanced further in February and gave additional strength to sheep and lamb prices.

Cold storage holdings of farm products continued to show the usual seasonal trends during February. Stocks of butter declined by a little more than the usual amount but on March 1 were nearly one-third larger than the average for the preceding 5 years. Beef stocks also declined more than the average but on March 1 were still more than double the average. Holdings of lard were nearly twice the average as a result of much larger than usual increases in each of the last three months. Holdings of eggs in cold storage continued to be smaller than normal during February despite net withdrawals that were slightly lower than the average for that month. Purchases of eggs amounting to about 60 per cent of the excess of receipts in 1937 over 1936 at the three main Eastern markets by the Agricultural Adjustment Administration for distribution by relief agencies greatly reduced the pressure on egg prices and avoided a duplication of the unseasonal storage of eggs that occurred in January.

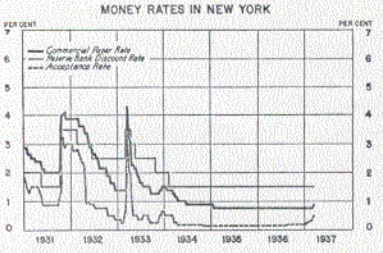




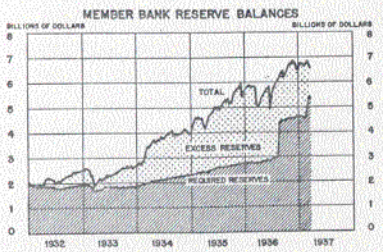
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to February, 1937.



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 March 20, 1937.



Minimum rate on rediscounts for and advances to member banks by Federal Reserve Bank, and weekly prevailing rates on prime commercial paper, 4 to 6 months, and prime bankers' acceptances, 90 days. For weeks ending January 3, 1931, to March 27, 1937.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required reserves, January 6, 1932, to March 24, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 26, 1937

Volume of production, employment, and trade increased more than seasonally in February and wholesale prices of industrial commodities continued to advance.

PRODUCTION AND EMPLOYMENT: The Board's index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 116 per cent of the 1923-1925 average in February as compared with 114 in January and an average of 115 in the last quarter of 1936. At steel mills activity continued to increase in February and the first three weeks of March, and although the growth was somewhat less than seasonal, output currently is about the peak level reached in the summer of 1929. Automobile production, while fluctuating considerably with strikes at important plants, has been larger for the year to date than in the corresponding period last year. Output of plate glass in February showed a sharp rise from the low level of the two preceding months when strikes curtailed production. At textile mills and shoe factories activity continued at a high level, while output at meat packing establishments declined somewhat further. Mineral production increased, reflecting, chiefly, greater output of coal and a further rise in crude petroleum production.

The value of construction contracts awarded this year, according to the F. W. Dodge Corporation, has been considerably larger than a year ago, reflecting an increased volume of private residential building and other types of private construction, while the volume of publicly-financed work has been smaller.

Factory employment and payrolls increased from the middle of January to the middle of February by more than the usual seasonal amount. The number employed in the machinery industries increased considerably and there were smaller increases at automobile and plate glass factories. In the non-durable goods industries as a group there was a seasonal rise in employment.

DISTRIBUTION: Department store sales increased from January to February and the Board's seasonally adjusted index advanced from 93 to 95 per cent of the 1923-1925 average. Sales at variety stores also increased more than seasonally, while mail order sales, largely in rural areas, showed less expansion than is usual at this time of year. Total freight carloadings increased in February and the first half of March, owing in part to seasonal influences.

COMMODITY PRICES: The general level of wholesale commodity prices advanced from the middle of February to the third week of March, reflecting principally further substantial increases in the prices of industrial materials. Prices of iron and steel, non-ferrous metals, lumber, cotton, rubber, and hides advanced considerably and there were also increases in the prices of cotton goods, paper, and furniture. Wheat prices have advanced in recent weeks following a decline in the latter part of February.

BANK CREDIT: On March 1, when the first half of the recent increase in reserve requirements went into effect, excess reserves of member banks declined from $2,100 million to about $1,300 million in the next three weeks, which included the March tax collection period. Excess reserves showed moderate fluctuations around the new level. In connection with the increase in reserve requirements there were some withdrawals of bankers' balances from city banks but practically no borrowing by member banks from the reserve banks.

Holdings of United States government obligations at reporting member banks in leading cities declined by $280 million in the four weeks ending March 17, a part of the decline reflecting large maturities of Treasury bills. Commercial loans increased further at reporting banks and on March 17 were above last year's high level reached on December 30. Loans to brokers and dealers in securities increased sharply.

MONEY RATES: Since the beginning of March the rate on 90-day bankers' acceptances advanced from 5/16 of 1 per cent to 9/16 of 1 per cent and commercial paper rose from a flat ¾ per cent to a range of between ¾ and 1 per cent.

Bond yields, which until recently had been near the extreme low point reached last December, advanced by between ¼ and ½ per cent and on March 24 were at about the levels prevailing early in 1936.