

MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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The Ninth District June business volume was the largest for June since 1930 but a little smaller than in May. Season shipments of iron ore through June 30 set a new record. Deposits at city and country member banks increased. Retail trade was a little higher and farmers' cash income slightly lower than a year ago. July 1 crop forecast higher than 10-year average.

DISTRICT SUMMARY OF BUSINESS

Indexes of the June volume of business in the Ninth District were all higher than in any other June for many years but were a little lower than in other recent months. The country check clearings index was higher than in any other June on record. The indexes of bank debits at 94 cities and at farming centers, country check clearings and miscellaneous carloadings were lower than in the preceding month and the indexes of department store sales, country lumber sales and L. C. L. carloadings below the levels of last December, January and April, respectively.

Northwestern Business Indexes (Varying base periods)

	June 1937	May 1937	June 1936	June 1935
Bank debits—94 cities.....	80	88	79	68
Bank debits—farming centers... 86	87	83	70	
Country check clearings.....	150	151	146	124
Department store sales.....	94	88	88	78
Country lumber sales.....	88	87	88	71
Miscellaneous carloadings.....	87	87	81	65
L. C. L. carloadings.....	65	64	61	59

Bank debits at the Great Lakes Ports showed a greater increase over June last year than any other section of our district, reflecting the continued heavy movement of iron ore down the lakes and the up-the-lakes movement of coal. Carloadings of ore were 53 per cent larger than in June last year and were larger than any June in our 18-year records with the exception of 1923. Carloadings of coal, coke and forest products were all somewhat larger than in June a year ago and more than offset the sharp decreases in loadings of grain and livestock.

Retail trade in June continued to be larger than in the same month in the preceding year at both city and country department stores. The increase at country stores, however, was smaller than in any other month in the current year. Sales were larger in our portions of Wisconsin and Michigan and in Minnesota, but smaller than a year ago in Montana and South Dakota and in about the same volume as last year in North Dakota. During the first half of 1937,

country store sales were 10 per cent larger and city store sales 6 per cent larger than in the first half of 1936, resulting in an 8 per cent increase for the district.

Retail Trade

	No. of Stores	% June, 1937, of June, 1936	% 1937 of 1936
Mpls., St. Paul, Duluth-Superior...	21	107	106
Country Stores	467	104	110
Minnesota—Central	31	109	113
Minnesota—Northeastern	17	114	116
Minnesota—Red River Valley...	12	107	112
Minnesota—South Central	37	110	116
Minnesota—Southeastern	21	107	114
Minnesota—Southwestern	48	104	113
Montana—Mountain	13	96	105
Montana—Plains	37	99	105
North Dakota—North Central...	15	100	110
North Dakota—Northwestern ...	12	101	124
North Dakota—Red River Valley	25	102	110
North Dakota—Southeastern ...	29	99	110
North Dakota—Southwestern ...	6	85	102
South Dakota—Southeastern ...	19	99	103
South Dakota—Other Eastern ..	56	100	104
South Dakota—Western	11	88	96
Northern Wisconsin and Michigan	40	115	117
West Central Wisconsin.....	38	109	115

Mining activity in this district in June continued to be the largest for the month since 1929. June iron ore shipments were slightly smaller than the June 1929 volume but the 1937 season total to June 30 was nearly 2 million tons larger than shipments in the same period in 1929. Copper and silver output remained at a higher level than in any June since 1929 and employment at copper mines continued large. The production of gold at the representative mines reporting to us increased during June to the highest total for that month and the highest monthly volume on record with the exception of March, September and October of last year.

Further recovery of the building industry in this district was indicated by the increase over June of last year in the value of building permits issued, public, residential and other building contracts awarded and warranty deeds and mortgages recorded in Hennepin and Ramsey Counties. In addition, the June cut of lumber at mills operating in this district was larger than a year ago and sales of lumber at 474 country lumber yards were in about the same volume as in June last year and were larger than in any month since October 1930 with the exception of October 1936. There was an unimportant decrease in the number of building permits issued at the 18 reporting cities during the month.

Wholesale sales of groceries, hardware, and shoes were all larger in June than a year ago but as has

been the case in other recent months the business volume of industries dealing with agricultural products were mostly smaller than in the same period one year earlier. Marketings of grain and livestock, flour production and shipments, linseed product shipments, butter production, and cattle and hog slaughterings at South St. Paul were all much below the June 1936 volume. Slaughterings of calves and sheep were somewhat larger than in June last year. Life insurance sales were a little smaller than in June last year but were slightly larger in the first half of 1937 than in the same period last year.

DISTRICT SUMMARY OF BANKING

City Member Banks. Demand deposits at weekly reporting city member banks increased another \$10 million during the four week period ended July 14, all of which was retained in their own vaults or re-deposited with commercial correspondents or with us. In addition, loans to customers were reduced \$2 million which was retained in cash or due from banks.

During the first half of the current year, deposits at weekly reporting city member banks decreased \$29 million, loans were \$5 million and investments \$14 million lower according to a preliminary tabulation of June 30 call reports. Compared with June 30 last year, deposits were \$16 million lower, loans \$18 million higher and investments \$4 million lower.

Country Member Banks. Between the latter part of May and the latter part of June, there was a net increase in demand deposits at country member banks of \$13 million, a little more than half of which was redeposited with city correspondents or with us. Demand deposits at Minnesota banks increased \$15 million and there were decreases of about \$1 million each in Michigan and South Dakota.

Between the end of 1936 and the middle of 1937, there was a net decrease of \$7 million in deposits at country banks that do not provide us with weekly condition reports. Demand deposits decreased \$11 million which was partly offset by a \$4 million increase in time deposits. Loans increased \$10 million but investments decreased \$4 million. There was a reduction of 9 banks during the period. Compared with June 30, 1936, deposits at these country banks were up \$16 million, loans were up \$5 million and investments up \$19 million, despite a decrease of 22 banks between the two dates.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Farmers' cash income in the Ninth District as estimated in this office for June was nearly as large as in June last year, largely because of high prices received for dairy products and hogs. Cash receipts from the sale of hogs and dairy products were both larger than in June a year ago, the combined increase very nearly offsetting the decline in receipts from the sale of grain and potatoes. These estimates do not include government payments. Receipts from

the sale of farm products and from government payments in May were 18 per cent smaller than in May last year. The estimates of income from the sale of crops, livestock and livestock products and government payments were each lower than last year.

June prices of all grains, all classes of livestock except ewes and lambs, and dairy products were as high or higher than a year ago. Potato prices sagged sharply to the lowest level for the 1936 crop and egg and poultry prices remained slightly below those of June last year. The farm index of prices of the University of Minnesota decreased from 99 in May to 96 in June. The index was 78 in June 1936.

Livestock and Livestock Products

Receipts of cattle at South St. Paul during June were a little larger than in the preceding month but much smaller than in June last year, chiefly because of greatly reduced Canadian importations. During the first half of 1937, total receipts were 356 thousand head, 86 per cent of the 415 thousand marketed during the first six months of 1936. Calf receipts during June were 25 per cent larger than in June last year as a result of a substantial increase in Canadian marketings. Three hundred and twenty-eight thousand calves were marketed during the first half of 1937, 30 per cent more than the 252 thousand in the first six months last year. Butcher cattle prices strengthened during June and were all far above the June 1936 level. During the first half of July, cattle receipts at South St. Paul and at the seven principal mid-western markets continued in a smaller volume than a year ago and prices advanced sharply to the highest levels since 1929 and 1930. The mid-July top for butcher steers was \$15.50.

Imports of Canadian cattle during the first 6½ months of this year were smaller than in the same period last year, but imports of Canadian calves were twice as large as a year ago. The reduced-duty quota of 52 thousand calves was filled about the middle of June since which time there has been little slackening in imports and an additional 11 thousand head have been received on which regular rates of duty have been paid. While dairy cow imports have continued in about the same volume as a year ago, on July 15 the 1937 quota of 20 thousand head was less than one-third filled.

Shipments of stocker and feeder cattle during June were little more than half as large as in June last year because of the shortage of feed supplies. Lack of demand resulted in some price decline, especially in heavyweights. With both feed and forage crop development in early July so much more favorable than last year, many farmers began to restock their pastures and feed lots and shipments from South St. Paul during the week ended July 15 were larger than any other week this year, more than 4 thousand head, a large percentage of which went to Minnesota farms. In addition, large quantities of feeders for southern Minnesota farmers were purchased direct from producers and at other mid-western livestock markets.

Dairy cow prices at South St. Paul during June and the first half of July reflected the narrow demand for the ordinary grades and were weaker than for many months, the range dropping to \$75-\$30 for the first time in more than a year.

Hog receipts during June were again smaller than in the same month in the preceding year as a result of the early marketing of last year's pig crops. Hog receipts during the first half of 1937 were only 6 per cent larger than in the same period last year despite the 25 per cent greater receipts during the first quarter. Hog prices advanced further during June and early July and established a top of \$12.25 during the week ended July 15, the highest since September 1928.

The 1937 spring pig crop in this district was estimated to be 4.9 million head compared with 5.9 million in 1936 and 5.4 million in 1935. The number of pigs saved per litter was quite generally the largest on record, partly because of favorable weather when farrowings were greatest and partly because of better than usual care. In the heavy pig producing sections of Minnesota, a large number of sows were held for fall farrowing and litters are continuing to average large.

Receipts of sheep and lambs continued to be larger than a year ago at South St. Paul and at other mid-western markets during June but were in about the same volume as last year during the first half of July. Prices remained at the high May level during early June, but heavy receipts together with a dull dressed lamb market resulted in the lowest prices for the year during early July. Feeder lamb prices declined but were stronger than prices for fat ewes and lambs.

Cold storage holdings of butter, cream, cheese, and eggs increased by about the average amount during June and stocks of beef, pork, and lamb and mutton decreased by much more than the usual amount. Total holdings of meat declined by 119 million pounds during June compared with an average decline of 13 million pounds and on July 1, stocks were only 2 per cent above the five-year average whereas they were 17 per cent above the average on June 1. Holdings of poultry, miscellaneous meats and lard declined during June instead of showing the usual small increase, but July 1 stocks were still far above the average for that date.

Livestock slaughterings in the United States during June were 4 per cent larger than in May but 9 per cent smaller than in June last year which was largely responsible for the greater than average decline in total meats in cold storage during June. In the last five years, June slaughterings have averaged about 3 per cent smaller than in May.

Commercial and farm hatchings of chickens have continued to be much smaller than last year and on June 1 the number of young chickens in farm flocks was estimated by the USDA to be 15 per cent

smaller than in 1936. This 15 per cent reduction lowered the number of young chicks to the lowest level in the 1926-37 period. In regard to the poultry outlook, the USDA reported "(1) the prospect that an unfavorable feed situation will continue to some extent during the remainder of 1937, and (2) the prospect that pullets carried through this period will enter their season of heaviest production in early 1938 with a more favorable feed situation and with egg prices above those of 1937."

Crops

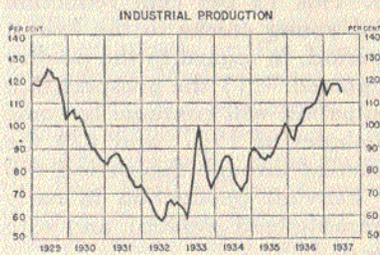
Production of the eight major crops in this district was estimated on July 1 by the USDA to be more than twice as large as last year and larger than the average for each crop for the preceding 10 years with the exception of durum wheat, flax and potatoes. While there has been some deterioration during July, chiefly because of rust and grasshoppers, the weather has not been particularly favorable for rust development and, barring unforeseen calamities, a better than usual outturn may be expected in all sections of the district except the central and western portions of the Dakotas and eastern Montana where drouth conditions still prevail.

Acreages planted to the eight crops this spring were all much larger than the acreages harvested last year with the exception of flax, the seeded acreage of which was less than 1 million acres for the first time in our records which begin with 1910. The 1937 flax acreage is less than half the 10-year average. The acreages of durum wheat, oats and corn were also somewhat smaller than average. Compared with the "March 1 intentions to plant" estimates, the seeded acreages of durum wheat and barley were larger than intended on March 1 and the acreage planted to potatoes was identical with the earlier estimate.

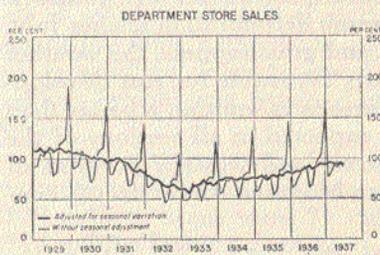
USDA July 1 Crop Forecast for Minnesota, North Dakota, South Dakota, and Montana with Comparisons

	(Thousand Bushels)		
	1937	1936	10-yr. Avg.
Bread Spring Wheat.....	119,656	39,815	114,984
Durum Wheat	29,566	8,227	40,372
Winter Wheat	14,321	7,826	13,596
Rye	26,761	8,471	19,478
Oats	255,491	114,062	214,268
Barley	114,426	45,917	103,427
Flax	6,352	4,950	13,047
Corn	226,972	99,847	214,245
Potatoes	38,182	19,975	40,650
Tame Hay (Tons).....	9,300	5,938	7,371

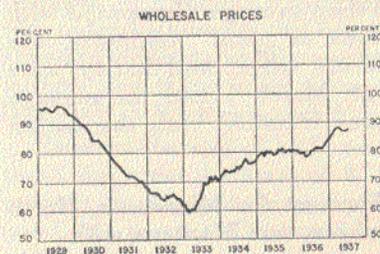
	(Thousand Acres)		
Bread Spring Wheat.....	14,396	6,310	11,435
Durum Wheat	2,841	1,559	3,647
Winter Wheat	1,019	730	926
Rye	1,992	1,074	1,600
Oats	7,965	5,490	7,991
Barley	5,641	3,412	5,428
Flax	966	1,064	2,122
Corn	9,158	7,949	10,165
Potatoes	421	403	537
Tame Hay	6,251	6,441	6,347



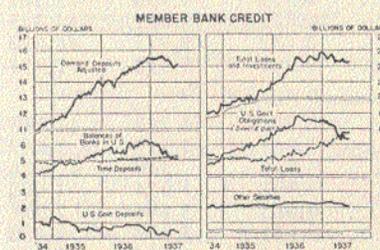
Index of physical volume of production, adjusted for seasonal variation, 1929-1925 average = 100. By months, January 1929 to June 1937.



Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to June 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 July 17, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to July 21, 1937.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 27, 1937

Activity in most manufacturing industries and at mines continued in June at the May level, with allowance for seasonal influences, but the total output was decreased by labor difficulties in steel mills. In July production at these mills increased.

PRODUCTION AND EMPLOYMENT: Volume of industrial output, as measured by the Board's seasonally adjusted index, was 115 per cent of the 1923-25 average in June as compared with 118 per cent maintained in the preceding three months. The decrease was largely accounted for by the decline in steel production. Automobile production declined seasonally and lumber output showed little change. There was considerable reduction in activity at shoe factories and at sugar refineries, while textile production was close to the level of other recent months. At mines, output continued in about the same volume as in May.

Value of construction contracts awarded, which had declined in May, increased considerably in June, according to figures of the F. W. Dodge Corporation. There was a marked rise in contracts for public projects, and awards for private building increased somewhat, reflecting chiefly a larger volume of contracts for factories and for apartments.

Factory employment and payrolls declined more than seasonally from the middle of May to the middle of June, largely as a result of strikes in the iron and steel industry. In most other manufacturing industries and also in non-manufacturing lines, changes in employment were chiefly of a seasonal nature.

AGRICULTURE: The July 1 cotton report of the Department of Agriculture showed an acreage of 34,192,000 which is larger than in any year since 1933, but considerably smaller than the average of 41,424,000 acres for the five years 1928-1932. Reports on other major crops indicate larger production than last season and about equal to the average for 1928-1932.

DISTRIBUTION: Distribution of commodities to consumers was maintained in June at the level of other recent months, with allowance for seasonal influences. Department store sales showed a seasonal decline and there was little change in mail-order business. Sales at variety stores increased somewhat. Department store trade in the midwestern industrial area in June and in the first half of the year showed larger increases over a year ago than did sales in other parts of the country. Freight carloadings declined somewhat further in June, reflecting largely a decrease in shipments of miscellaneous freight.

WHOLESALE COMMODITY PRICES: The general level of wholesale commodity prices, which had declined gradually from the beginning of April to the middle of June, advanced somewhat after that time. Prices of hogs and pork rose considerably and grain prices advanced during most of the period. Steel scrap prices increased sharply and prices of tin, zinc, and hides also advanced, while cotton goods and rubber continued downward. In the past week, prices for grains declined and cotton prices also moved lower.

BANK CREDIT: In the four week period ended July 21 the volume of excess reserves of member banks increased from \$810 million to \$870 million, owing principally to a decline in the amount of required reserves resulting from a decrease in deposits at member banks in leading cities.

Commercial loans of reporting member banks continued to increase both in New York City and in other leading cities during the five weeks ended July 21. There was a substantial decline in adjusted demand deposits, mostly at New York City banks. This decline corresponded to decreases in holdings of United States government obligations, following increases at the time of new Treasury note issues at the middle of June, and in holdings of other securities. Loans to brokers and dealers in securities, which increased in June, declined during the first three weeks of July.

MONEY RATES: Open market rates on Treasury bills and yields on Treasury notes and bonds declined in July to the lowest levels since March.