MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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Business declined further in February. Most business indexes were lower than in February last year but country lumber sales and bank debits at farming centers indexes were the highest for any February since 1931. Bank loans decreased but deposits showed no change. Farmers' cash income was slightly higher than a year ago.

BUSINESS

The volume of business in February as measured by our seasonally adjusted indexes was again lower than in the preceding month. The level of business in the rural sections, however, was somewhat better maintained than the level of the district as a whole. The indexes of bank debits at farming centers and of country lumber sales were the highest for February since 1931. The department store stocks index was one point above January, but was the lowest for February since 1935.

Northwestern Business Indexes

(1929-1931=100)

	Feb. 1938	Jan. 1938	Feb. 1937	Feb. 1936
Bank debits—94 cities	81	88	89	78
Bank debits—farming centers	88	88	87	74
Country check clearings	141	149	148	124
City department store sales	87	87	92	84
City department store stocks	80	79	83	81
Rural department store sales	89	95	92	83
Country lumber sales	93	98	80	64
Miscellaneous carloadings	76	85	102	77
L.C.L. carloadings	64	65	69	55

Bank debits in the diversified farming sections of the district averaged as high in February as in the preceding month and the same month last year. Bank debits at city banks, however, were well below the February 1937 volume, resulting in a 9 percent decline for the entire district.

Department store sales in the district during February were 5 per cent smaller in dollar volume than in the same month last year. Sales at the 483 reporting country stores were a little higher than at city stores, the percentages being 96 and 94 respectively. Nearly all sections of Minnesota reported increases over the February 1937 volume, the state total being more than 3 percent larger, and the North Dakota total was 101 percent of February a year ago but these increases were not large enough to offset the declines in the other states. In the district, January-February 1938 sales were 97 percent of sales in the same 2 months last year. Preliminary reports from some of the reporting city department stores for the first two weeks of March indicate a somewhat larger decrease from the 1937 level than was experienced in February.

Sales at Department Stores

	No. of Stores	% Feb. 1938 of Feb. 1937	Cumulative % 1938 of 1937
Mpls., St. Paul, Duluth-Superior	21	94	96
Country Stores	483	96	98
Minnesota	161	103	102
Central Minn.	29	101	103
Northeastern Minn.	18	98	96
Red River Valley, Minn.	13	118	116
South Central Minn.	38	99	100
Southeastern Minn.	21	105	101
Southwestern Minn.	42	108	107
Montana	65	89	94
Mountain	21	87	92
Plains	44	90	96
North Dakota	87	101	103
North Central N. D.	17	106	104
Northwestern N. D.	12	86	90
Red River Valley, N. D.	24	109	114
Southeastern N. D.	28	103	99
Southwestern N. D.	6	70	80
Red River Valley–Minn. & N.D.	37	111	115
South Dakota	87	99	104
Southeastern S. D.	16	98	108
Other Eastern S. D.	58	102	106
Western S. D.	13	86	85
Wisconsin and Michigan	83	92	93
Northern Wis. and Mich.	44	92	92
West Central Wis.	39	92	94
Total District	504	95	97

Lumber sales during February as reported by 474 country lumber yards were 9 percent larger than in February last year. Stocks on hand at the end of the month were 5 per cent lower than on the same date last year. In spite of smaller dollar sales (which include coal and various other items), cash collections were as large as last year, resulting in a substantial decrease in outstanding accounts and notes receivable at the end of the month.

Building permits issued in February at 18 cities in the district were somewhat larger both in number and valuation than in February last year. The largest increase was reported by St. Paul. **Building contracts awarded** in February totalled twice the February 1937 volume, largely as a result of a nearly $3 million increase in public works. Residential contracts and semi-public buildings for recreational, hospital and educational purposes also contributed to the increase.

Life Insurance Sales in this district in February were higher than in the same month one year earlier for the sixth successive month. February sales were nearly 4 per cent larger in our 4 states than in February last year whereas sales in the total United

States were 17 per cent smaller. All of our February increases were in North and South Dakota, small decreases being reported for Minnesota and Montana.

Business failures in this district in February were a little larger in number than in January but liabilities were somewhat lower. Compared with February last year, both the number and total liabilities were larger. **Non-farm real estate foreclosures** in the four complete states in this district were fewer in January than in the preceding month or in January 1937.

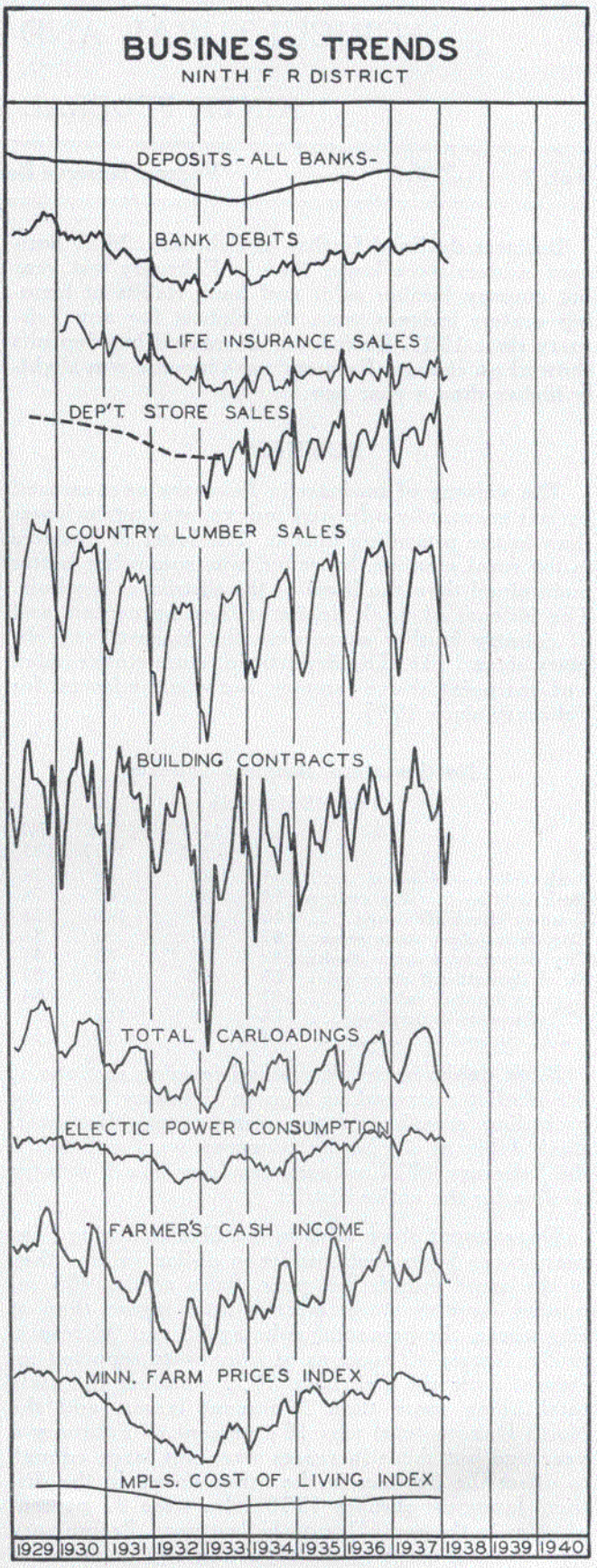
Other indicators of business volume that were higher in February than in the same month last year were flour production, sales of new cars and trucks in North Dakota, electric power consumption, warranty deeds recorded in Hennepin County, shipments of flour from Minneapolis, gold output, and marketings of grain, cattle, hogs and sheep. Decreases were recorded in freight carloadings of all commodities except grain and livestock, mortgages recorded, linseed product shipments, copper and silver output, the amount of lumber cut, lumber shipments from mills, wholesales of hardware, electric goods, shoes, groceries and drugs and sundries.

BANKING

Country member bank deposits averaged about the same during the latter half of February as during the latter half of January but were $12 million below the February 1937 level. Excess reserves continued to be approximately $14 million during February.

City member bank deposits increased $9 million in the four week period ended March 16 as newly received tax funds permitted substantial increases in United States Government and other public deposits. Deposits of individual and commercial customers declined $8 million, as loans to customers registered another decline. All of the major classes of investments showed small declines, totalling $2 million. Balances at correspondent banks increased sharply during the period and on March 16 were $15 million higher than four weeks earlier. Balances with us increased $3 million, raising city bank excess reserves to nearly $9 million. Compared with the middle of March 1937, deposits were down $5 million, loans to customers were up by the same amount and investments were $27 million lower; balances due from other banks were up $12 million and balances with us $8 million higher. At the middle of March last year, excess reserves were only $6 million.

Deposits at all banks in the Ninth Federal Reserve District were about $50 million lower at the end of 1937 than one year earlier, but were higher than at any other year-end since 1930 with the exception of 1936. Loans to customers increased about $40 million during 1937 and at the end of last year were higher than on any call date since October 1933. Investment holdings declined about $43 million from the all-time peak of Dec. 31, 1936, but the average for the year 1937 was the highest



on record. "Other real estate" declined about 14 per cent during the first 6 months of 1937 but increased a little during the latter half of the year and on December 31 was about 10 per cent smaller than one year earlier. The number of banks decreased from 1,387 to 1,360 during 1937.

AGRICULTURE

Farm Income and Prices

Farmers' cash income in the Ninth District from the sale of 7 farm products during February declined seasonally from the January volume but was slightly larger than in the same month last year. The much larger volume of grain marketings more than offset the lower grain prices, resulting in a substantial increase in income from grain sold. In addition, Ninth District butter production was 19 per cent larger than in the corresponding month last year which resulted in a substantial increase in dairy income despite the lowest butter prices in nearly two years. While hog marketings were larger in February this year than a year ago, prices were much lower, resulting in a somewhat smaller volume of income. Our estimates do not include government payments.

USDA estimates for this district of farmers' cash income in January were below the January 1937 estimates. Farmers in the Dakotas received a little more income in January 1938 than in January 1937 despite a decline in the volume of government payments. There was also a very slight increase in Minnesota but these increases were a little more than offset by declines in the other three states in our district.

Grain prices were about the same during February as in January but were far below February last year with the exception of flax. The volume of flax marketings continued low because of the small amount of last year's crop remaining for sale and prices were maintained at the relatively high level of the entire current marketing season. Prices of butter, milk, eggs and wool were all lower than in the preceding month and in February last year. Fat hen prices declined from the January level but were well above February a year ago. Potato prices were little more than a third as large as in February 1937 but were the same as in January.

The University of Minnesota farm price index declined in February to the December level of 77. The index was 107 in February 1937.

Livestock and Livestock Products

Receipts of cattle at South St. Paul declined much less than the usual seasonal amount during February and were 26 per cent larger than in February 1937. Total cattle receipts during the first 2 months of 1938 were 7 per cent larger than during the same period in 1937 despite an 80 per cent reduction in Canadian imports. Calf receipts were 9 per cent larger than in January but were smaller than the large February receipts of 1937. Prices for prime heavy butcher steers and veal calves were the only prices that did not show slight declines during February. The February prime heavy butcher steer price remained unchanged from January at $8.25 compared to $10.50 in February last year. During the first half of March cattle prices firmed and rose in spite of increased receipts. Heavy butcher steers reached a top of $8.85, the highest since the latter half of December.

Shipments of stocker and feeder cattle were larger in February than in January and were well above February 1937. The price of heavy stockers and feeders declined from $7.00 in January to $6.25 in February, whereas the light stocker and feeder price rose from $5.85 in January to $6.00 in February. February 1937 prices were $7.25 and $6.00 respectively. During the first 16 days of March, demand for feeder and stocker cattle improved because of stronger butcher cattle prices and exceeded the supply. Price advances, however, were limited to about 50 cents because of the exceedingly small spread between feeder and butcher cattle prices.

The dairy cow market at South St. Paul was steady throughout February. During the first half of March, demand began to weaken largely because of lower dairy product prices, resulting from current increases in production in advance of the normal heavy milk production season. The price range for February as well as for the first half of March was $80-$45.

Hog receipts at South St. Paul decreased seasonally in February but were 30 per cent larger than in February 1937. Total hog receipts for the first 2 months of 1938 were 35 per cent larger than for the first 2 months of 1937 but during the first 6 months of the 1937-38 marketing season, hog receipts were only 84 per cent of the same 6 months of the preceding season. Hog prices had firmed during the latter part of January and continued strong throughout February. The February price was $8.10 compared to $7.90 in January and $9.80 in February last year. During the first two weeks of March, demand continued good and prices rose to a top of $9.50, the highest price paid since last November.

Receipts of sheep and lambs at South St. Paul during February also declined seasonally and were 21 per cent larger than in February last year. January and February receipts of lambs were 5 per cent smaller than for the same period last year. Prices of both ewes and fat lambs declined during the month. During the first two weeks of March receipts decreased, and prices advanced somewhat. Fat lambs reached a top of $9.40, the highest since early December and ewes reached $5.25, the highest since last June.

Livestock inventories on farms in our four states on January 1 were larger than on January 1, 1937. Total cattle inventories were 2 per cent larger than one year earlier. Minnesota herds increased by 6 per cent, North Dakota 2 per cent, and South Da-

kota 1 per cent, but Montana holdings declined for the fourth consecutive year and were 8 per cent smaller than on January 1, 1937. On January 1, 1938 cattle holdings in Montana were only 67 per cent of the average of the previous 5 years. In the United States as a whole there was a decline of 1 per cent during 1937. A further expansion in the dairy industry in this district is evidently in progress as the largest increase in cattle holdings was in the 1-2 year old heifers kept for milk cows, an increase of 7 per cent. In the total United States there was a decrease in 1-2 year old heifers of 1 per cent. Cows and heifers over 2 years old in our four states increased 1 per cent and all other cattle increased 2 per cent. Holdings of swine were 8 per cent larger than on January 1, 1937 but were 19 per cent below the 5-year average. All of the increase occurred in the Dakotas and Minnesota, Montana showing a decline of 25 per cent. Hog holdings increased 3 per cent in the entire United States. Sheep and lamb inventories in our four states were 2 per cent smaller than on January 1, 1937, the increase in Minnesota being more than offset by decreases in Montana and North Dakota. Inventories of horses and colts in our four states declined during 1937 for the 17th consecutive year. The decline in our four states, 6 per cent, was relatively much larger than the decline in the United States as a whole which was only 2 per cent.

Livestock on Farms January 1

Minnesota, Montana, North Dakota and South Dakota combined.

(thousand head)

	1938	1937	1936	5 yr. Avg.
Dairy cows and heifers	2,937	2,910	3,033	3,180
Dairy heifers (1-2 years)	603	566	560	624
Other cattle (mostly beef)	3,578	3,492	4,023	4,234
Swine (including pigs)	3,443	3,188	3,590	4,254
Stock sheep and lambs	5,677	5,781	6,443	6,600
Horses and colts	1,721	1,826	1,921	2,035

Commercial and farm hatchings of chickens for the entire 1938 season will probably be from 5 to 10 per cent larger than the 1937 hatch, according to the USDA. No estimates on farm hatchings are available but commercial hatcheries reported an increase of 36 per cent in January over the same month last year and the number of eggs set during January was 18 per cent larger than during January 1937. During January the average size of farmers' flocks was about 8 per cent below January 1937 and 12 per cent below normal. It is expected that the smaller sized flocks together with the present favorable feed-egg ratio will tend to stimulate both commercial and farm hatchings this spring, according to "The Poultry and Egg Situation" published by the USDA.

The USDA March 8 "intentions report" regarding turkey poults for 1938 indicated that growers in the West North Central states and the United States as a whole both planned to raise 6 per cent more turkeys this year than last. In our territory, growers planned to purchase 10 per cent more poults than last year and to hatch 5 per cent more.

Cold storage holdings of farm products on March 1 reflected the increased production and the lower-than-average consumptive demand during February. Stocks of all products except pork and lard declined seasonally during the month but the declines were smaller than the 5-year average. March 1 pork and lard stocks have averaged a little higher than those of February 1 for the last 5 years but this year the increase between those two dates was about twice as large as average. This increase occurred in spite of the fact that United States hog slaughterings during February were smaller than the 5-year average for that month. As previously indicated, holdings of both butter and cheese declined during February despite increased milk production, but because of the small net withdrawals were well above the 5-year average on March 1.

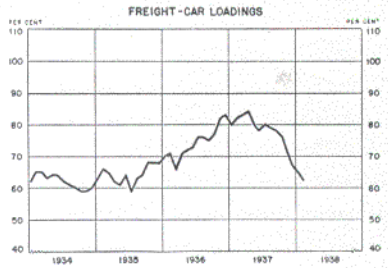
PROSPECTIVE PLANTINGS MARCH 1, 1938 WITH COMPARISONS

(000's omitted)

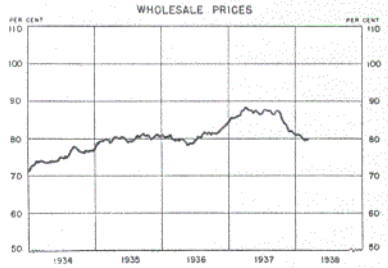
	1938 Indicated Acreages					4 States 1937 Harvested Acreage*	% 1938 Indicated of 1937 Harvested	U. S. 1938 Indicated Acreage	U. S. 1937 Harvested Acreage	% U. S. 1938 Indicated of 1937 Harvested
	Minn.	Mont.	N. Dak	S. Dak	Four States					
Bread Wheat	1,942	3,778	7,252	2,647	15,619	10,931	143	18,669	14,758	127
Durum Wheat	67	0	2,773	773	3,613	2,756	131	3,613	2,756	131
All Spring	2,009	3,778	10,025	3,420	19,232	13,687	141	22,282	17,514	127
Winter Wheat	280	1,101	0	281	1,662	969	172	57,492	46,946	123
All Wheat	2,289	4,879	10,025	3,701	20,894	14,656	143	79,774	64,460	124
Rye	690	70	1,210	1,152	3,122	1,767	177	6,869	3,839	179
Corn	4,740	183	1,033	3,415	9,371	8,990	104	94,595	93,810	101
Oats	4,025	276	1,656	1,694	7,651	7,236	106	36,333	35,079	104
Barley	1,959	133	1,546	1,550	5,188	4,776	109	10,947	9,959	110
Flaxseed	492	40	372	65	969	802	121	1,112	924	120
Potatoes	229	21	129	24	403	400	101	3,102	3,177	98
Tame Hay	2,907	1,250	1,080	770	6,007	5,884	102	57,000	54,792	104
8 Crops	17,331	6,852	17,051	12,371	53,605	44,511	120	289,732	266,040	109
1937 Harvested Acreage—8 Crops	17,284	4,242	12,769	10,216	44,511					
% 1938 Indicated Acreage of 1937 Harvested Acreage	100	162	134	121	120					

*Harvested acreages were materially lower than planted acreages in some states because of abandonment on account of grasshopper, drouth and rust damage.

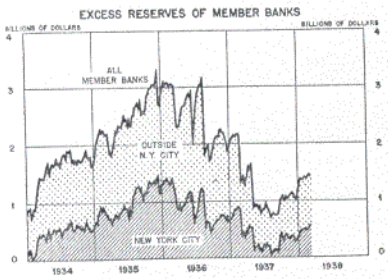
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to February 1938.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to February 1938.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ended March 19, 1938.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City Banks, January 3, 1934 to March 16, 1938.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 24, 1938

The volume of manufacturing production showed little change from January to February, while the output of minerals declined further. Awards for residential building increased somewhat in February and rose considerably in the first half of March.

Production: The Board's seasonally adjusted index of industrial production, which includes both manufacturing and mining, was 79 percent of the 1923-1925 average in February as compared with 80 percent in January. The decline in the total index was accounted for chiefly by a reduction in output of minerals, particularly of crude petroleum. Steel ingot production showed about the usual seasonal increase and averaged 32 percent of capacity in February. Automobile production decreased slightly further, and output of plate glass continued to decline. Lumber production rose seasonally. In the first three weeks of March, activity at steel mills and automobile factories was at about the same average rate as in February. In the non-durable goods industries, there were moderate increases in output in February at textile mills and shoe factories, where production has recently been at low levels, while at meat-packing establishments activity declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a sharp decline from January to February, reflecting chiefly a marked reduction in awards for publicly-financed projects. Contracts for residential building increased moderately. In the first half of March there was a considerable further increase reported for residential building and awards for other construction also increased.

Employment: Factory employment and payrolls increased by somewhat less than the usual seasonal amount between the middle of January and the middle of February. The Board's seasonally adjusted index of factory employment was 83 percent of the 1923-1925 average in February as compared with 84 in January. In the durable goods industries decreases were general in February, though not so large as in preceding months. Employment in non-durable goods industries increased somewhat following a period of rapid decline. Employment in trade, at mines, on the railroads, and in the construction and public utility industries decreased somewhat from the January level.

Distribution.: The value of department store sales, as measured by the Board's seasonally adjusted index, declined from 90 percent of the 1923-1925 average in January to 88 percent in February, and in the first three weeks of March there was a further decrease. Sales at variety stores and mail order houses in February showed somewhat less than the usual seasonal increase.

Freight carloadings decreased further in February, reflecting chiefly reduced shipments of coal and grain, and showed a seasonal increase in the first two weeks of March. The current level of carloadings is about 25 percent less than a year ago.

Commodity Prices: The general level of wholesale commodity prices, as measured by the Bureau of Labor Statistics index, showed little change from the middle of February to the third week of March. There were seasonal increases in prices of livestock and meats, while prices of such basic commodities as wheat, cotton, rubber, zinc, and bituminous coal declined.

Bank Credit: Excess reserves of member banks increased during the first three weeks of March to over $1,500 million, the highest level since last April. The bulk of the increase accurred at New York City banks, which in the third week of the month held over $700 million of excess reserves.

During February and the first half of March, there was little net change in deposits and in total loans and investments at reporting member banks in 101 leading cities. Holdings of United States government obligations declined at banks in New York but increased in Chicago. Commercial loans, which had decreased sharply in the four preceding months, showed a further moderate decline.

Money Rates and Bond Yields: Conditions in the short-term money market continued easy in March. Rates on Treasury bills were slightly lower and prime commercial paper was quoted at a range of from ¾ to 1 percent as against the flat 1 percent rate which had prevailed since a year ago. Yields on Treasury bonds and notes, after declining for the past six months, advanced slightly around the middle of March. Yields on corporate bonds also advanced in March, reflecting principally declines in prices of railroad bonds.