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

Vol. 7 (Serial No. 287) **Federal Reserve Bank, Minneapolis, Minn.** **November 28, 1938**

Business volume in October held about even with preceding months. The building and building material industries were well above October last year and country lumber sales were the largest since 1929. Most other indicators showed declines. Farm income decreased but farm product prices showed little change.

BUSINESS

The volume of business in October was about the same as in the preceding two months. One-third of our indexes were higher in October than in September after taking the usual seasonal changes into consideration, one-third showed little change, and one-third were lower. Country lumber sales under the influence of mild weather greatly exceeded the volume in any recent year and were the largest for any month since October 1929. However, the unusually fine weather during the month was also partly responsible for the low level of business in October. Both city and country department store sales failed to show the usual increase and the rural department store index dropped to 91, the lowest point since last May and the lowest for October since 1935. After remaining unchanged for two months the city department store stocks index dropped two points in October.

Northwestern Business Indexes
(1929-1931 = 100)

	Oct. 1938	Sept. 1938	Oct. 1937	Oct. 1936
Bank debits—94 cities	76	77	86	81
Bank debits—farming centers	90	89	96	91
Country check clearings	142	138	151	146
City department stores sales	92	98	98	100
City department store stocks	79	81	86	78
Rural department store sales	91	93	97	101
Country lumber sales	106	89	90	95
Miscellaneous carloadings	81	75	87	95
L. C. L. carloadings	63	63	68	67

Daily average bank debits decreased in October because of 7 percent declines in the totals for the Great Lake Ports and Minneapolis which more than offset the slightly larger-than-average increases in the rest of the district. All reporting groups were lower than in October last year, as only twelve of the 109 cities reported a larger volume than in October 1937. **Country check clearings** in October were far above the September volume in Montana and were slightly higher in the Dakotas. These larger-than-average gains exceeded the small declines in Minnesota and Ninth District Wisconsin and Michigan and raised the district total for October to 5 percent above the September level. Montana was the only state with as large a volume of check clearings as in October last year.

Building contracts awarded in October and the first half of November were about as large as in other recent months and were far above the volume in the same period last year. Residential contracts continued to show the largest dollar increase and were one-third larger than in September whereas there is usually a decline in October. Contracts for commercial buildings were more than twice as large as in September and were larger than in any other month this year. Public utility contracts receded a little from the extremely high level of September but were more than twice as large as in October last year. **Building permits** issued at forty-five reporting cities in the district were 12 percent larger in valuation but 5 percent smaller in number than in October 1937. Thirty cities reported larger valuation totals this year, the largest increase being at Saint Paul. Other cities having substantial increases in total valuation were Rochester, Minnesota; Bozeman and Kalispell, Montana; and Ashland, Wisconsin. **Mortgages accepted for insurance by FHA** in the four complete states in this district in September were in a much larger volume both in number and amount than in the same month last year.

Lumber sales in board feet at 478 retail yards were nearly one-third larger than in September and were one-fifth larger than in October last year. Total sales (including items other than lumber) were also well above the volume of the preceding month and the same month last year. Accounts and notes receivable increased moderately during October and cash collections increased seasonally to about the same volume as in October 1937. **The cut of lumber** during October continued to decline from the 1938 high of 15 million board feet in August but lumber shipments in October increased instead of showing the usual decline.

Iron ore shipments from this district again increased in October and were the largest for the current season but were only a little over half as large as in October last year. **The output of copper** and silver in October rose sharply from the level of the preceding month as a result of the reopening of several mines in the Montana copper district. **Gold production** increased moderately in October and was larger than in any month since the summer of 1937. The return of miners to work in Montana increased the number of employees at mines, the October 31 total being the largest since May.

Electric power consumption in September, with an increase in Montana and decreases in the rest of the district, was about as large as in September last year.

Department store sales in the district were 6 percent smaller in October this year than in October 1937. Both city and country stores suffered the same decline. The largest increase over October last year was reported by the small group of reporting stores in southwestern North Dakota, a gain of 14 percent. Smaller increases were reported from the plains section of Montana, the northwestern section of North Dakota and eastern South Dakota (excluding the southeastern corner). Total sales during the first ten months of 1938 were within 4 percent of last year's volume for that period, with the city store total being slightly above and the country store total slightly below that figure. **City department store stocks** increased slightly during October as a result of early deliveries of about the usual volume of holiday goods, but reductions in the stocks of regular lines resulted in the increase being somewhat smaller than usual.

Collections on accounts and notes received at 46 stores in October were better than in other recent months and were higher than in any month since January. **Accounts and notes receivable** increased in October and at the end of the month were larger than at any other month-end this year.

Sales at Department Stores

	No. of Stores	% Oct. 1938 of Oct. 1937	Cumulative % 1938 of 1937
Mpls., St. Paul, Duluth-Superior	21	94	97
Country Stores	436	94	95
Minnesota	147	91	95
Central Minnesota	27	99	98
Northeastern Minnesota	17	86	89
Red River Valley Minnesota	10	97	101
South Central Minnesota	35	87	92
Southeastern Minnesota	16	92	98
Southwestern Minnesota	42	92	97
Montana	49	101	94
Mountain	12	91	89
Plains	37	109	97
North Dakota	77	93	97
North Central North Dakota	14	86	92
Northwestern North Dakota	12	104	95
Red River Valley No. Dakota	24	88	102
Southeastern North Dakota	22	94	93
Southwestern North Dakota	5	114	96
Red River Valley—Minn. & N. D.	36	90	102
South Dakota	84	98	98
Southeastern South Dakota	17	96	99
Other Eastern South Dakota	54	101	99
Western South Dakota	13	89	87
Wisconsin and Michigan	79	90	93
Northern Wisconsin & Mich.	41	88	96
West Central Wisconsin	38	91	91
Total District	457	94	96

Business failures, both in number and in amount, were much larger in October than in September or in October last year. The number of non-farm real estate foreclosures, however, was one-third smaller in September than in September 1937.

Other indicators of business volume in this district that were lower in October than a year ago were new car and truck sales in Minnesota and North Dakota; wholesales of automotive supplies, drugs and sundries, electrical goods, groceries, general hardware, plumbing and heating supplies and tobacco; carloadings of all classes of freight except grains & grain products; flour & linseed product shipments from Minneapolis and life insurance sales. Increases over October last year were recorded in flour production; warranty deeds & mortgages recorded in Hennepin & Ramsey Counties and wholesales of paper & paper products.

BANKING

Country member bank deposits averaged a little lower in the last half of October than in the last half of September, declines being recorded for each of the states or part states in the district with the exception of Montana. Despite the deposit decline, earning assets were increased $4 million and balances with this bank $1 million, raising excess reserves above the $14 million level. Compared with the last half of October last year, deposits were $13 million lower, earning assets were $7 million and balances with us $8 million lower, but balances with other banks were $2 million higher.

City member bank deposits increased $10 million in the five week period ended November 16, as a result of substantial gains in commercial and personal deposits, which were only partly offset by the further decline in balances due to other banks. Loans to customers and holdings of government securities both increased during the period under review but the aggregate earning asset increase was somewhat less than the rise in deposits resulting in larger balances due from other banks. Those balances were further increased by a transfer of $5 million that had been on deposit with us. Excess reserves declined to $16 million on November 16.

Deposits at all banks in the Ninth District were nearly as large on September 28 as on the preceding call date, June 30, and there were small increases in both loans and investments. The number of banks in the district decreased slightly between the two call dates.

Bills discounted by this bank for member banks decreased sharply between October 12 and November 16 and on the latter date were little more than one-third as large as at the middle of November last year. **Industrial loans** decreased slightly during the same period, but **commitments to make industrial advances** increased by more than one-half million dollars.

AGRICULTURE

Farmers' cash income in the Ninth District dropped about 25 percent in October, the total for the month being only $34 million, the smallest total for that month since 1934. Sharp seasonal reductions in

grain marketings and butter production were largely responsible for the decreased income. Hog marketings increased seasonally and in spite of much lower prices October hog income was nearly as large as in October last year.

The USDA's estimate of cash income from the sale of crops, livestock and livestock products in September by farmers in the Ninth District increased seasonally over August, but was smaller than in September last year. Minnesota and South Dakota were the only states in the district that did not show a decrease from the August level. Estimates for each state and part state in the district for September were smaller than in the same month last year.

Agricultural product prices averaged about as high in October as in September, the small increases in some commodities being offset by small declines in others. Egg prices rose 15 percent to 19⅝c, the highest average price in nearly two years, and lamb, heavy butcher steer, rye and flax prices were all higher in October than in September. Prices for light butcher steers, ewes, butter and milk were unchanged, but prices for all other farm products were a little lower in October than in the preceding month. With the exception of eggs, which were higher, and heavy stock feeders and veal calves, which were unchanged, farm product prices were all lower in October than in the same month last year. The Minnesota farm price index declined one point to 61, the lowest in more than four years with the exception of August 1938, which was 60.

Receipts of cattle and calves at South St. Paul in October failed to increase as much as usual for the third consecutive month and were the smallest October receipts in our 19 year record. During the three months August, September, and October, cattle receipts were one-fifth smaller than in those months in 1937, whereas during the first seven months of 1938, they were one-tenth larger. The abundance of cheap feed, ideal feeding weather, and a desire to put more flesh and finish on animals before marketing, together with the current restocking of farms, account for the sharp decline in marketings.

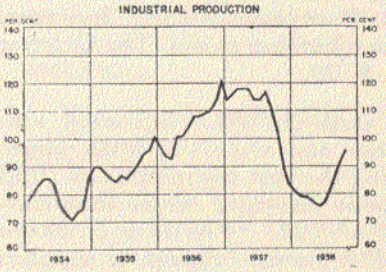
Shipments of feeder cattle from South St. Paul in October were smaller than in the preceding month and in October last year. During the first ten months of 1938 shipments of feeder cattle and calves were one-sixth smaller than during that period in 1937, partly because of the below normal volume of marketings and partly because of the strong competition of slaughter buyers for better-grade range cattle. A weak undertone in the butcher cattle market, however, resulted in some dropping off of demand and prices declined slightly. During the first half of November supplies continued small as cattle marketings decreased further.

Dairy cow trade during October and the first half of November was steady to strong. Supplies of good quality cows were limited and sold readily to shippers at prices ranging from $65-$85 with an occasional head at $100. Poor quality cows, however, sold for little more than butcher prices. The October price range was $35-$100.

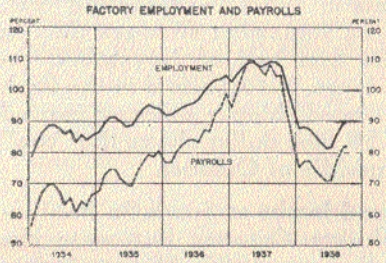
Hog receipts at South St. Paul increased seasonally during October and were two-fifths larger than a year ago. During the first ten months of 1938 hog receipts were about one-third larger than during the same period of 1937. *The Hog Situation* published by the USDA states: "Slaughter supplies of hogs in the 1938-39 marketing year, which began October 1, will be materially larger than in 1937-38. Slaughter during the current year will be larger than in any year since 1933-34, but it will be approximately 15 percent smaller than the average of the 10 years prior to the 1934 drouth. Consumer demand for hog products in 1938-39 marketing year, however, is likely to be somewhat stronger than in 1937-38." During the first half of November, receipts continued very large, but a revival in the fresh pork market and increased shipper demand carried the "top" price to $8.50, one dollar above the "top" that prevailed at the middle of October.

Receipts of sheep and lambs at South St. Paul increased seasonally during October but were the smallest for the month since 1927. Sheep receipts for the first ten months of 1938, however, were approximately as large as during that period last year. *The Sheep and Lamb Situation* states: "Continued improvement in industrial activity in the next few months probably will result in increased consumer incomes and a strengthening in the demand for meats. Such a trend would be the reverse of that last fall and winter, when lamb prices declined to the lowest level since 1933." During the first two weeks of November, demand for feeder lambs improved at South St. Paul and a rise in dressed lamb prices held butcher lamb prices steady. Choice fat lambs reached a "top" of $8.85 at the middle of November, a gain of over $1.00 since mid-October.

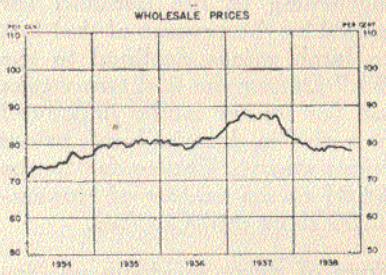
Cold storage holdings of dairy products on November 1 continued to remain much larger than normal for the ninth consecutive month. Butter holdings during October experienced a normal seasonal movement for the first time this year, but there was no liquidation of the holdings of governmental agencies in October and as a result, butter stocks on November 1 continued to be over half again as large as the five-year average. Poultry holdings remained above normal but stocks of eggs declined seasonally to about one-fifth below the usual amount. Cold storage supplies of all classes of meat were only two-thirds as large as usual. Beef holdings were little more than half the usual amount as a result of the smaller-than-usual beef slaughterings for the previous six months. Supplies of pork and lard remained about three-fourths as large as normal in spite of the larger-than-usual pork slaughterings during the previous three months. Cold storage stocks of lamb and mutton were 16 percent below normal on November 1.



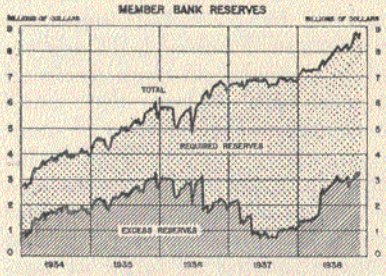
Index of physical volume of production adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1938.



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



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934 to November 16, 1938.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 25, 1938

Industrial production continued to increase sharply in October and the first three weeks of November, reflecting principally larger output of steel and automobiles. Wholesale commodity prices showed little change in this period. Volume of employment and national income increased in October.

PRODUCTION: In October the Board's seasonally adjusted index of industrial production was at 96 percent of the 1923-1925 average, as compared with 90 percent in September. Steel ingot production increased considerably, averaging 53 percent of capacity in October, and in the first three weeks of November there was a further substantial advance. In the automobile industry output was increased rapidly during October and the first three weeks of November both to stock dealers with new model cars and to meet the increased volume of retail demand accompanying the introduction of new models. Production, which in the first nine months of 1938 had been at a considerably lower level, was at nearly the same rate as in the corresponding period in other recent years. Output of plate glass also increased sharply in October. Cement production showed a considerable increase, while lumber production declined slightly. Activity at textile mills, which had risen sharply during the summer, continued at about the August and September rate, although usually there is an increase at this time of the year. Shoe production declined somewhat further in October, and there was a decrease in output of tobacco products, while in most other industries manufacturing non-durable goods, changes in output were largely seasonal in character. Mineral production showed a further moderate rise, reflecting in large part increased output of crude petroleum and non-ferrous metals. Lake shipments of iron ore also were in larger volume, although a decrease is usual in October. Coal production increased seasonally.

The value of construction contracts awarded in 37 eastern states increased considerably in October, according to figures of the F. W. Dodge Corporation, reflecting chiefly a sharp rise in awards for public projects. Contracts for hospital, educational, and other public buildings included in the public works administration program were in large volume, and there was a further increase in contracts awarded for slum clearance projects of the United States Housing Authority.

EMPLOYMENT: Employment and payrolls increased somewhat further between the middle of September and the middle of October. At automobile factories employment continued to rise sharply and there were further moderate increases in most other durable goods industries. The number employed at canning establishments declined and in other non-durable goods industries showed little change. Employment increased somewhat at mines, on the railroads, and in the construction industry, while in trade the rise was less than seasonal.

DISTRIBUTION: Sales at department and variety stores and by mail order houses showed less than the usual seasonal increase in October, partly because consumer buying of winter merchandise was retarded by unseasonably warm weather during most of the month. In the first two weeks of November department store sales increased moderately.

Freight carloadings rose considerably further in October, owing largely to increased shipments of grains, coal, and miscellaneous freight. In the first half of November loadings showed a seasonal decline.

COMMODITY PRICES: Wholesale commodity prices generally showed little change from the middle of October to the third week of November. Prices of steel scrap and leather advanced. Tin plate prices, on the other hand, were reduced, and there were also decreases in zinc, hides, and rubber. Prices of farm products and foods showed small fluctuations in this period.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities declined by about $150 million during the first half of November following a substantial increase during October. The decline in November was almost entirely at New York City banks and reflected the retirement of state and local government obligations held by these banks. Adjusted demand deposits, which reached an all-time peak of $16 billion at reporting banks in the last week in October, also decreased somewhat in the first half of November. Member bank reserves in the middle of November were at about the high level reached a month earlier.

MONEY RATES AND BOND YIELDS: The prevailing rate on open market commercial paper declined slightly in November to 5/8 of 1 percent, a new low level. Other short-term open market rates were unchanged. Yields on United States government securities and on high-grade corporate bonds showed only small changes during November, continuing close to the low levels reached in October.