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

Vol. 7 (Serial No. 290) **Federal Reserve Bank, Minneapolis, Minn.** **February 28, 1939**

Business volume declined less than usual in January and was well above the level of January last year. Country member bank deposits increased but city member bank deposits decreased during the month. Farm product prices rose in January. Farmers' cash income was a little larger than in December but much smaller than in January last year.

BUSINESS

The volume of business in the district in January as measured by our seasonally adjusted indexes was much larger than that of the preceding month and well above the level of January last year. All of our indexes with the exception of city department store sales were higher than in December and the rural department store, bank debits, and country check clearings indexes were all as high as or higher than in any month in the last 18 months. The country lumber sales index was the highest since April 1930.

Northwestern Business Indexes

(1929-1931=100)

	Jan. 1939	Dec. 1938	Jan. 1938	Jan. 1937
Bank debits—94 cities	90	79	88	94
Bank debits—farming centers	95	87	88	92
Country check clearings	151	146	149	148
City department store sales	91	97	87	89
City department store stocks	77	78	79	81
Rural department store sales	98	90	95	94
Country lumber sales	129	115	96	99
Miscellaneous carloadings	94	101	85	106
L.C.L. carloadings	66	66	65	70

Building contracts awarded in January as reported by the F. W. Dodge Corporation declined less than the usual seasonal amount, were more than double the January 1938 volume and were larger than in any January since 1929. Contracts for public utilities and public works were also much larger than in January in any other recent year with the result that total construction contracts awarded in January in this district were the largest for that month in our 13-year records. Residential contracts awarded in January were more than three times as large as in January last year and were the largest for January in our records.

Building permits issued in 41 cities in the district were larger in January both in number and amount than in the same month last year, the increases in permits for new construction more than offsetting the declines in permits for repairs and alterations. Most of the increase in the district resulted from increases in Minneapolis and St. Paul but there were also substantial gains in the valuation of permits issued at Austin, Minnesota and Billings, Great Falls, and Missoula, Montana.

Warranty deeds recorded in Hennepin and Ramsey Counties during January greatly exceeded the number in January last year but the number of **real estate mortgages recorded** was slightly smaller. **Mortgages accepted for insurance by the FHA** in December were 6 percent larger in number and 9 percent larger in amount than in the same month one year earlier.

Department store sales in January at both city and country stores were larger than in the same month last year. January city department store sales in the Ninth District showed as large as or a larger increase than in any Federal Reserve District with the exception of the Atlanta district. Only three of our eighteen retail trade sections in this district reported a smaller volume of sales than in January last year with the result that the total for each state and part state was larger than in January a year ago. **City department store stocks** declined seasonally in January and were a little lower at the end of the month than on the same date last year. **Collections,** as usual, increased sharply during January and were larger than in January last year, reducing the volume of **accounts and notes receivable** from the highest

Sales at Department Stores

	No. of Stores	% Jan. 1939 of Jan. 1938
Mpls., St. Paul, Duluth-Superior	21	104
Country Stores	421	103
Minnesota	144	102
Central Minnesota	27	99
Northeastern Minnesota	14	100
Red River Valley Minnesota	11	94
South Central Minnesota	35	101
Southeastern Minnesota	20	103
Southwestern Minnesota	37	107
Montana	48	104
Mountain	13	98
Plains	35	109
North Dakota	77	103
North Central North Dakota	16	102
Northwestern North Dakota	10	107
Red River Valley North Dakota	23	102
Southeastern North Dakota	23	101
Southwestern North Dakota	5	113
Red River Valley—Minn. and N. Dak.	34	100
South Dakota	77	105
Southeastern South Dakota	15	106
Other Eastern South Dakota	51	105
Western South Dakota	11	106
Wisconsin and Michigan	75	101
Northern Wisconsin and Michigan	40	101
West Central Wisconsin	35	101
Total District	442	103

point in five years at the beginning of the month to below the January 31, 1938 level at the end of January.

Business failures in this district in January were larger in both number and amount than in the preceding month. The number of failures was one-third larger than in January last year but the amount of liabilities was one-third smaller. **Non-farm real estate foreclosures** in December increased, as is customary, but were little more than half as numerous as in December 1937.

Electric power consumption in the district as a whole was a little larger in December than in November and well above the December 1937 level.

Other business volume indicators that were higher in January 1939 than in January 1938 were retail sales of new passenger cars in Minnesota and North Dakota, truck sales in Minnesota, the number of telephone installations in the Twin City area, the output of gold, flour production and shipments from Minneapolis, lumber shipments and wholesales of electrical goods, plumbing and heating supplies, hardware, tobacco and groceries. Decreases from last year were recorded in sales of trucks in North Dakota, linseed product shipments from Minneapolis and the output of copper and silver.

BANKING

Country member bank deposits increased slightly between the latter half of December and the latter half of January but the average was still slightly below the 1938 high reached in November. There were no important changes in earning assets, however, the increased deposits merely being added to the already large balances due from other banks, except for small increases in reserve balances with us. Excess reserves increased very slightly to the highest average since June of last year. Compared with the latter half of January 1938, demand deposits and balances with correspondent banks were each up $14 million; time deposits were down $5 million, resulting in a $1 million decrease in earning assets and a $4 million decrease in balances with us.

City member bank deposits were $8 million lower at the middle of February than four weeks earlier as a result of a $5 million decrease in public demand deposits and small declines in other classes of deposits. During the first half of February, deposits at city member banks averaged the lowest since June 1, 1938. Despite the decline in deposits in recent weeks, which were accompanied by minor declines in loans to customers, investments in government securities increased sharply, reducing balances due from other banks and reserve balances with us to the lowest level in nearly a year. Excess reserves dropped to about $13 million.

Bills discounted by this bank for member banks declined further between mid-January and mid-February and were smaller on the latter date than a year earlier. **Current industrial advances** and **commitments to make industrial advances** also declined. **Total member bank reserve balances** were decreased as a result of the government bond purchases by city member banks mentioned above and there was a slight decline in the volume of Federal Reserve notes in circulation.

AGRICULTURE

Farmers' cash income from the sale of seven products (excluding government payments) in January was 4 percent larger than in the preceding month largely as a result of increased marketings of dairy products and larger marketings of and higher prices for potatoes. Bread wheat income was also a little larger than in the preceding month and much larger than in January last year, but the total income for January was 17 percent smaller than in January 1938.

The USDA estimate of cash income in December (including government payments) as indicated by our preliminary estimates last month was much smaller than in November and was smaller than in December 1937. South Dakota was the only state in this district with a larger income in December than in November and that increase was only 2 percent. Comparing annual totals, South Dakota was the only state or part state in this district with a larger income in 1938 than in 1937.

Farm stocks of wheat and corn in our four states on January 1, 1939 were the largest mid-winter stocks in many years. Corn stocks were larger than at the beginning of any other year in our nine-year records, and wheat stocks were the largest for the same period, with the exception of the year following the large production in 1932. Oats stocks were more nearly normal and were only slightly above the 1928-1932 average.

January 1 Stocks of Grain on Farms in Minnesota, Montana, North and South Dakota

(Thousands of bushels)

	Wheat	Corn	Oats
1939	98,265	124,450	155,426
1938	49,678	106,380	149,131
1937	32,597	32,482	92,402
1936	54,816	98,492	205,883
1935	32,265	33,758	66,267
1934	64,921	83,259	97,642
1933	117,365	112,807	193,374
1928-32 Average	76,152	89,209	151,309

Agricultural product prices strengthened again in January but were only a little higher than in the preceding month. Grain prices, however, were all somewhat lower than in January last year with the exception of oats. Livestock prices were mostly well above the January 1938 level with the exception of hogs which were slightly lower. Egg prices dropped sharply throughout January to the lowest end-of-January price in our 19-year records. After scoring small increases in November and December, butter prices declined in January to the lowest level since the summer of 1935. Milk prices also declined. Potato prices followed the trend in other recent

months and advanced in January to the highest price for that month since 1930 with the exception of 1937 when prices were unusually high throughout the season as a result of the below-normal crop harvested in 1936. The Minnesota farm price index rose from 66 in December to 69 in January compared with 80 in January last year.

Receipts of cattle and calves at South St. Paul during January were one-fourth larger than during December, and the largest in any January since 1927. Cattle receipts customarily decline in January but postponed marketings of Canadian cattle arrived after January 1, and were largely responsible for the twelve-year high in cattle receipts. Good quality fed cattle were scarce throughout the month. Unfinished stock was quickly taken up by feeder buyers, resulting in an advance in cattle prices for the second consecutive month. According to *The Beef Cattle Situation* "Total marketings of slaughter cattle in the first half of 1939 probably will be smaller than a year earlier, with reduction in supplies of the lower grades more than offsetting increased supplies of grain-fed cattle."

During the first two weeks of February receipts declined. Importations of Canadian cattle dwindled, since the January-March quota for livestock weighing over 700 pounds was practically filled at the beginning of the month. Demand remained strong and prices were steady.

Shipments of stocker and feeder cattle from South St. Paul declined seasonally during January, but were nearly double those of January 1938. Excellent weather coupled with abundant supplies of cheap feed were the major factors in the active demand for this class of cattle. *The Beef Cattle Situation* states that "The number of cattle on feed for market in the corn belt states on January 1 was about 7 percent larger than at the beginning of 1938, although still somewhat smaller than in most years of large corn supplies prior to 1934."

Hog receipts at South St. Paul increased during January in spite of the usual decline during that month but were slightly smaller than in January 1938. The size of the 1938 spring pig crop has been reflected in the larger market receipts during the present marketing season. During the last five months, September-January, nearly 1.2 million hogs were marketed at South St. Paul compared to less than 1 million during the same period a year ago. *The Hog Situation* reports that "on the basis of breeding intentions reported about December 1, it was estimated that the number of sows to farrow in the spring of 1939 will be about 21 percent greater than the number farrowed in the spring of 1938. It seems probable, in view of prospects for increased production, that the trend in hog prices will be downward in the next two years."

Receipts of sheep and lambs at South St. Paul increased during January but were a little smaller than in January last year. Receipts have been consistently smaller than one year earlier throughout the entire current marketing season, and according to *The Sheep and Lamb Situation* "slaughter supplies of sheep and lambs during the remainder of the fed-lamb marketing season are expected to be smaller than in the corresponding period last year."

USDA January 1 livestock inventories indicate a general expansion in the number of beef cattle, dairy cows and heifers, sheep, lambs and swine on farms in the United States, but a review of the figures by states indicates that the increase in livestock holdings was somewhat greater in the four complete states in our district than in the United States as a whole. The greatest increase in our district in livestock holdings during 1938 was in Montana where the numbers of beef cattle and sheep and lambs were increased 121 thousand and 374 thousand head, respectively.

Livestock on Farms January 1

Minnesota, Montana, North Dakota and South Dakota Combined

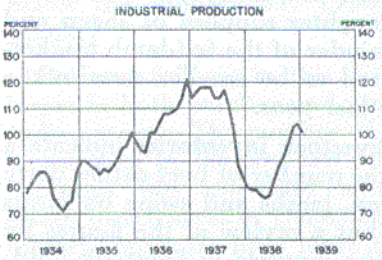
(Thousands of head)

	1939	1938	1937	1934-38 Average
Dairy Cows and Heifers	2,901	2,879	2,910	3,092
Dairy Heifers (1-2 years)	616	576	566	596
Other Cattle (mostly beef)	3,645	3,451	3,492	3,978
Swine (including pigs)	3,981	3,532	3,188	3,679
Stock Sheep and Lambs	6,026	5,659	5,747	6,351
Horses and Colts	1,662	1,721	1,826	1,934

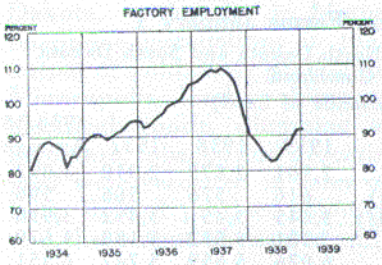
The dairy cow market at South St. Paul was quiet throughout the month of January. The number of cows for sale was limited and demand was narrow. Most cows sold at prices from $55-$75, the extreme range for the month being $35-$85.

The poultry and egg situation did not change materially during January. Egg production continued at a record high per layer and the size of laying flocks continued to increase. Receipts of poultry at New York in January were about 18 percent above those of a year ago, and December hatchings were 56 percent higher than December 1937 indicating that supplies of broilers during the early spring will be considerably larger than last year.

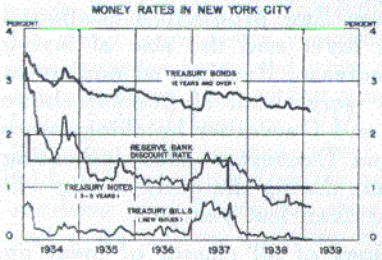
Cold storage holdings of all classes of meat on February 1 continued to be well below the previous five-year average. Supplies of beef were less than half as large as the average, reflecting the smaller-than-usual slaughterings during the last four months. Cold storage holdings of pork increased more than seasonally during January despite the fact that hog slaughterings were no larger than usual and continued the larger-than-usual net in-storage movement for the third successive month. Lamb and mutton supplies declined during January to 60 percent of the average on February 1. Supplies of both eggs and poultry declined less than usual. Commercial stocks of butter declined seasonally in January but holdings of governmental agencies were not liquidated proportionately, resulting in total storage stocks on February 1 that were nearly three times as large as the five-year average for that date.



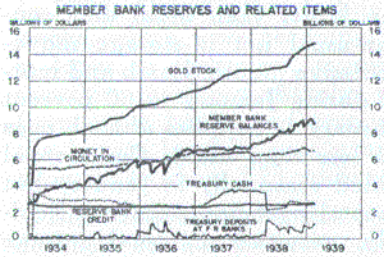
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to January 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to January 1939.



For weeks ending January 6, 1934 to February 18, 1939.



Wednesday figures, January 3, 1934, to February 15, 1939.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEBRUARY 25, 1939

Industrial production increased less than seasonally in January and the first three weeks of February, following a rapid advance in the latter half of 1938. Wholesale commodity prices continued to show little change.

PRODUCTION: In January, the volume of industrial production, as measured by the Board's seasonally adjusted index, was at 101 per cent of the 1923-1925 average as compared with 104 in December. At steel mills, where activity usually increases considerably at this season, output in January and the first three weeks of February was at about the same rate as in December. Automobile production declined seasonally in the first two months of the year as retail sales showed about the usual decrease and dealers' stocks reached adequate levels. Output of cement declined in January, and there was also some reduction in output of lumber and plate glass. In the non-durable goods industries, where production had been at a high level in December, activity increased less than seasonally. Increases at cotton, silk and tobacco factories were smaller than usual and at woolen mills there was a decline. Shoe production and sugar refining continued in substantial volume, and activity at meat-packing establishments showed little change, following a decline in December. Mineral production increased somewhat in January, reflecting an increase in output of crude petroleum.

The value of construction contracts awarded declined in January, according to F. W. Dodge Corporation figures, owing principally to a reduction in awards for publicly-financed projects, which had been in large volume in December. Contracts for privately-financed residential building continued at the recent advanced level, while awards for private non-residential building remained in small volume.

EMPLOYMENT: Factory employment and payrolls showed the usual decline between the middle of December and the middle of January. In most individual industries, as well as in the total, changes in the number of employees were of approximately seasonal proportions. In trade, employment declined somewhat more than is usual after Christmas.

DISTRIBUTION: Sales at department and variety stores and by mail order houses showed the usual sharp seasonal decline from December to January. In the first two weeks of February department store sales continued at the January level.

The volume of freight carloadings in January and the first half of February was at about the same rate as in December.

COMMODITY PRICES: Wholesale commodity prices generally continued to show little change in January and the first three weeks of February. Grain prices declined somewhat, following a rise in December, while prices of hogs increased seasonally. Changes in prices of industrial materials were small.

BANK CREDIT: Excess reserves of member banks, which reached a record high level of $3.6 billion on January 25, declined somewhat in February. This decline resulted chiefly from a temporary increase in Treasury balances with the Reserve banks representing cash receipts from the sale of the new United States Housing Authority and Reconstruction Finance Corporation notes. Purchases of these notes were also responsible for an increase in total loans and investments of reporting member banks in 101 leading cities, following a decline during January.

MONEY RATES AND BOND YIELDS: Average yields on United States government securities declined further during the first three weeks of February to about the lowest levels ever reached. New issues of 91-day Treasury bills, after selling at par or at a slight premium in late December and early January, were again on a slight discount basis during February. Other open market rates continued unchanged.