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

Vol. 7 (Serial No. 292) Federal Reserve Bank, Minneapolis, Minn. April 28, 1939

Business volume in March rose above that of the preceding month and of March last year. Member bank deposits declined and earning assets dropped sharply. Farm income rose in March but was below last year. Farm product prices held about steady.

BUSINESS

The volume of business in March in this district as measured by our seasonally adjusted indexes rose above the low level of the preceding month but was still somewhat smaller than the volume of January. Most of the indexes were higher than in February, higher than in March last year and about as high as last October. Country lumber sales continued at a relatively high level, the March index figure being 105, the highest for that month since 1931, even though it was lower than in February.

Northwestern Business Indexes

(1929-1931 = 100)

	Mar. 1939	Feb. 1939	Mar. 1938	Mar. 1937
Bank debits—94 cities	84	80	81	94
Bank debits—farming centers	92	87	89	97
Country check clearings	145	140	145	159
City department store sales	99	86	98	97
City department store stocks	75	81	79	84
Rural department store sales*	90	90	93	97
Country lumber sales†	105	117	98	98
Miscellaneous Carloadings*	82	81	76	98
LCL carloadings	64	64	64	69

† Index has been revised because of a change in the number of reporting yards and in the seasonal adjustment for the years 1929 to date.

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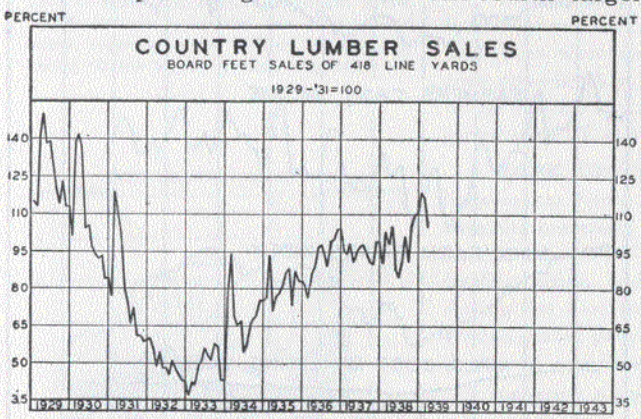
Building contracts awarded in March as reported by the F. W. Dodge Corporation were twice as large as in the preceding month and one-fourth larger than in March last year. Contracts awarded for all classes of buildings were larger in March than in February and, excepting commercial, factories and public buildings, were larger than in March a year ago. Contracts for public works and public utilities both showed large gains when compared with February and with March 1938.

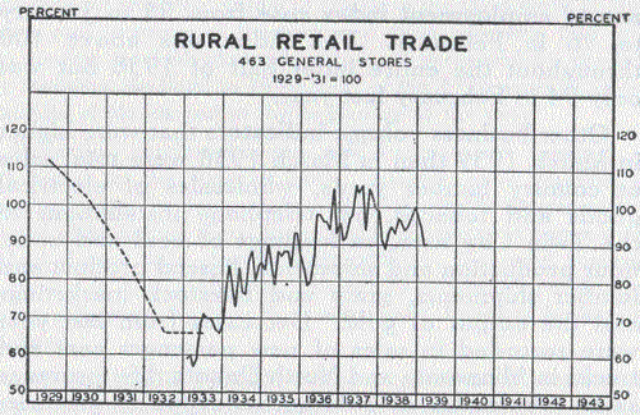


Country Lumber Sales in the Ninth Federal Reserve District. The figures are reported in board feet and have been adjusted to remove seasonal fluctuations.

Building permits issued in 53 reporting cities were nearly half again as large in dollar amount in March this year as in March 1938. Valuations of permits for new construction and repairs and alterations both showed large increases in March whereas for several months gains have been recorded for new construction but there have been declines in the volume of repairs. There was a marked increase in the size of the average permit in March, the number of permits issued for both new and repair construction being smaller than in March last year.

Warranty deeds and mortgages recorded in Hennepin and Ramsey Counties were about 50 percent larger in number in March than in February and about the same as in March last year. **Mortgages accepted for insurance by the FHA** in February were slightly larger in number but a little smaller in amount than in January. The January-February totals for both number and amount in 1939 were well above the total for the same two months last year but were a little lower than in January-February 1937.

Department store sales in March were larger than a year ago at both city and country stores, raising the total for the first quarter to 102 percent of sales at the same stores in the first quarter last year. Country stores in South Dakota led those in all other states with a 9 percent increase, all three of the districts in that state showing increases. **City depart-**



Index of Sales at 463 Rural General and Department Stores, Adjusted for Seasonal Variation.

ment store stocks decreased seasonally in March and at the end of the month were a little lower than on the same date last year.

Collections as reported by 45 stores decreased slightly in March but were a little larger than in March last year. **Accounts and notes receivable** at the same stores increased by a little less than the seasonal amount and on March 31 were the smallest for that date since 1936.

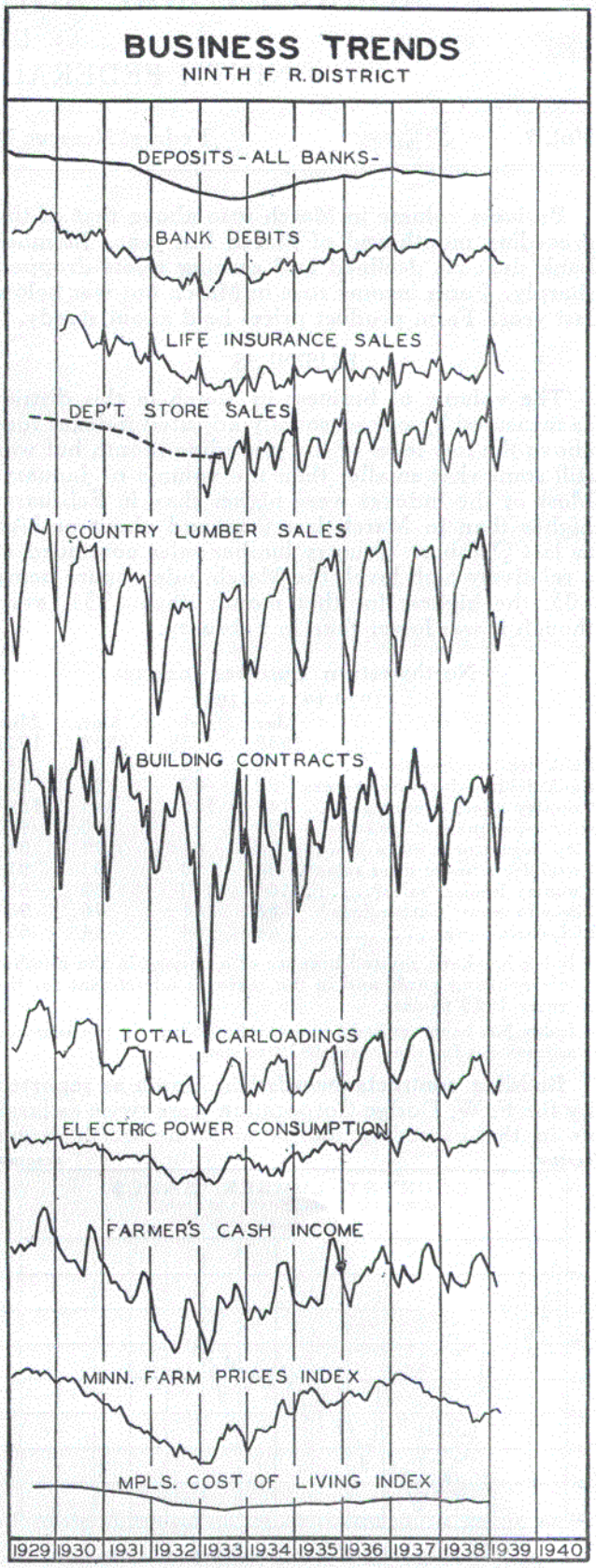
Business failures in March were a little smaller in number than in February but the amount of liabilities was sharply reduced. The number of failures in March was the same as in March last year but liabilities were less than half as large. **Non-farm real estate foreclosures** in February, however, were half again as numerous as in January but a little smaller than in February last year.

Sales at Department Stores

	No. of Stores	% Mar. 1939 of Mar. 1938	Cumulative % 1939 of 1938
Mpls., St. Paul, Duluth-Superior	21	104	102
Country Stores	402	102	103
Minnesota	142	102	104
Central Minnesota	28	102	100
Northeastern Minnesota	15	100	101
Red River Valley Minnesota	11	99	96
South Central Minnesota	29	97	98
Southeastern Minnesota	20	97	112
Southwestern Minnesota	39	111	109
Montana	49	107	105
Mountain	14	99	99
Plains	35	114	112
North Dakota	78	94	96
North Central North Dakota	15	90	95
Northwestern North Dakota	11	93	95
Red River Valley North Dak.	24	94	96
Southeastern North Dakota	23	95	96
Southwestern North Dakota	5	104	107
Red River Valley–Minn. & N. D.	35	95	96
South Dakota	58	114	109
Southeastern South Dakota	9	113	109
Other Eastern South Dakota	36	116	111
Western South Dakota	13	106	103
Wisconsin and Michigan	75	95	98
Northern Wis. and Mich.	42	92	95
West Central Wisconsin	33	98	101
Total District	423	103	102

Electric power consumption in February was slightly smaller than in January but was well above the amount consumed in February 1938. The **Minnesota employment index** rose from 95 in January to 96 in February. The index was above 100 throughout the entire latter half of 1938 but was only 94 in February last year.

Other business volume indicators that were higher in March 1939 than in March 1938 were total sales at country lumber yards, wholesales of electrical goods and tobacco, net telephone installations in the Twin City area, carloadings of coal and coke, flour production and shipments, linseed product and lumber shipments, grain and livestock marketings and the output of gold. Decreases from last year were recorded in sales of new passenger cars and trucks in Minnesota and North Dakota, life insurance sales, wholesales of automotive supplies, groceries and hardware, carloadings of ore and forest products, lumber cut and the output of copper and silver.



BANKING

Country member bank deposits were about as large at the end of March as a month earlier. Earning assets were reduced sharply during the month, wiping out practically all of the gains that had been recorded since September 30 last year. Balances with us rose to the highest level in the last 12 months, raising excess reserves to $17½ million, the highest since June 1937. Compared with the latter half of March last year, an increase of $11 million in demand deposits more than offset a $4 million decline in time deposits, and earning assets were down $8 million, raising balances with other banks and with us $11 million and $4 million respectively.

City member bank deposits declined during March as a result of a decrease of $7 million in deposits of individuals, partnerships and corporations. Earning assets dropped $20 million, reflecting a decrease in holdings of government securities of about that amount. The net effect of those changes was a $13 million increase in cash and due from banks, the bulk of which was left on deposit with other commercial banks. The small increase in reserve balances with us and the reduction in required reserves that accompanied the deposit decline resulted in a $5 million increase in excess reserves. During the first half of April, loans and government securities increased a little and holdings of "other securities" rose sharply; deposits increased by more than double the amount of the loan increase, necessitating only a moderate reduction in balances with other commercial banks, reserve balances with us remaining practically unchanged. Compared with the middle of April last year, demand deposits were substantially higher this year but time deposits were a little lower; the volume of earning assets was only a little larger, resulting in a large increase in cash and due from banks (including a moderate increase in reserve balances at this Federal Reserve Bank).

Bills discounted by this bank for member banks increased slightly during the five-week period ended April 19 and on that date were twice as large as one year earlier. **Current industrial advances** and **commitments** both declined but continued to be well above the year ago levels. **Federal Reserve notes** in circulation again increased and **member banks' reserve accounts** and the Treasurer's account each declined about $20 million.

During the first quarter of 1939 declines in earning assets and in deposits at city banks were somewhat larger than at country banks which is customary during that three month period. Comparable figures for selected items from call reports of the two groups of banks are shown in the table below.

Selected Items from March 29, 1939 and December 31, 1938 Call Reports

(In millions of dollars)

	20 City (weekly reporting) Banks			440 Country (non-weekly reporting) Banks		
	3-29 1939	12-31 1938	Inc. or Dec.	3-29 1939	12-31 1938	Inc. or Dec.
Total Loans and Discounts	$155	$160	$— 5	$138	$137	$+ 1
U. S. Govt. Securities	176	177	— 1	133	134	— 1
Sec. of States, Counties, Municipalities, etc	23	22	+ 1	52	51	+ 1
"All Other" Securities	18	20	— 2	47	49	— 2
Total Earning Assets	372	379	— 7	370	371	— 1
Ind., Part. & Corp. (dem.)	224	237	—13	165	171	— 6
Ind., Part. & Corp. (time)	119	120	— 1	231	231	
U. S. Government	2	2		4	4	
State, Co. & Mun., etc	56	59	— 3	51	50	+ 1
Due to Banks	126	126		16	16	
"All Other" Deposits	6	7	— 1	4	5	— 1
Total Deposits	533	551	—18	471	477	— 6

AGRICULTURE

Farmers' cash income from the sale of 7 farm products (excluding government payments), increased seasonally in March but was a little smaller than in March last year. Income from the sale of dairy products and hogs was slightly smaller in March than in February but receipts from sales of bread and durum wheat, rye, flax and potatoes were larger. Compared with March 1938, increases in receipts from sales of bread wheat, rye, potatoes and hogs were not large enough to offset decreases in receipts from durum wheat, rye and dairy products.

The USDA estimate of cash income in February (including government payments and the proceeds from commodity credit loans on corn and wheat) was somewhat larger than in the same month last year. The increase in income in Minnesota, South Dakota and Wisconsin was somewhat larger than the decreases in Michigan, Montana and North Dakota.

Agricultural product prices were mostly steady during March. Prices for durum wheat, flax, light butcher steers, light and heavy stocker & feeder steers, fat hens and eggs were all higher in March than in February while prices for both feed and malting barley, butcher cows & heifers, calves, lambs, potatoes and wool were unchanged. Slight declines were recorded in prices of bread wheat, rye, corn, oats, heavy butcher steers, hogs, ewes and dairy products. The Minnesota farm price index slumped back to 66 in March from the 7-month high of 70 reached in February. The March 1938 index was 76.

Farm stocks of grain on April 1 were much larger than on the same date in other recent years. Corn stocks were nearly one-third larger than one year earlier and the largest in our records which begin with 1930. Stocks of oats were more than 10 percent larger than on April 1, 1938 and the largest for that date since 1936. Wheat stocks were more than double the amount on farms on April 1 last year and the largest for that date since 1933 when 84 million bushels of the large 1932 crop were still in farm storage on the following April 1.

Grain stocks at 869 line elevators in Minnesota and North and South Dakota were reported to be 15-18 percent larger on March 1 this year than on the same date last year. Supplies of feed grains were mostly smaller than a year ago but a large increase in holdings of wheat, together with a smaller increase in rye stocks resulted in the net increase mentioned above.

Plantings of spring grain and crop land preparation in the northern half of our district have been de-

layed by snow and unusually low temperatures of the last few weeks but show about the average percentages of completion in the southern half of our territory. Delays at this season of the year, however, are not likely to have any material effect either on acreages or in yields as a large number of farmers are now using mechanized, modern farm machinery which enables them to do their field work in about one-third the number of days required when horse-drawn equipment was used.

Receipts of cattle at South St. Paul increased sharply during March and were the largest for that month in our 20-year records. Calf receipts increased seasonally but were somewhat smaller than in March 1938. Cattle and calf receipts during the first quarter of 1939 were the largest for that period in any year since 1927 with the exception of 1937 when heavy Canadian importations swelled receipts. In spite of the larger receipts, cattle prices remained firm throughout the quarter and were well above prices a year ago. *The Beef Cattle Situation* states that "A sharp seasonal increase in marketings of grain-fed cattle is in prospect for the next few months. . . . Marketings of cows and heifers, however, are expected to be much smaller this year than last and will be seasonally small during the spring and early summer months. Total slaughter supplies of cattle probably will remain below those of a year earlier through most of 1939."

During the first week of April, about 100 cars of Canadian cattle arrived under the second quarter quota and weakened prices somewhat, but receipts dwindled during the second week and by mid-month the losses were regained and the market undertone was strong.

Shipments of stocker and feeder cattle from South St. Paul during March were more than double the February volume and half again as large as in March 1938. During the first quarter of this year, 50 percent more feeder and stocker cattle have been shipped than in the same period a year ago. The USDA reported that the number of cattle on feed on April 1 in the corn belt states was 13 percent larger than one year earlier. South Dakota showed the largest increase with a rise of 35 percent. Minnesota and Wisconsin each had 10 percent increases. The USDA also expects that marketings of fed cattle will be larger than last year in most months from April through early fall, with the largest increases in July and August. Average prices of stocker and feeder cattle declined during March, partly because strictly good and choice cattle were scarce and partly because of price reductions.

During the first two weeks of April, demand slackened somewhat, but all good quality cattle sold readily. The average cost of stocker and feeder steers during the second week of April was $7.85 compared to $8.05 during the last week of March.

The dairy cow market at South St. Paul was steady during March even though dairy product prices continued to decline. Supplies of good quality cows were limited and sold at prices ranging from $60-$80, the extreme price range being $45-$80.

Hog receipts at South St. Paul during March were larger than in February and one-fifth larger than in March last year. During the first quarter of 1939, hog receipts were 6 percent larger than during the same period in 1938. The hog market was weak throughout March declining from a "top" of $8.15 at the end of February to $7.05 at the end of March without experiencing a rally. *The Hog Situation* states: "It is not unlikely that the total pig crops (spring and fall crops combined) this year will be about 80 million head or more which would be 13 percent greater than the total crop of 1938 and about equal to the 1929-33 average."

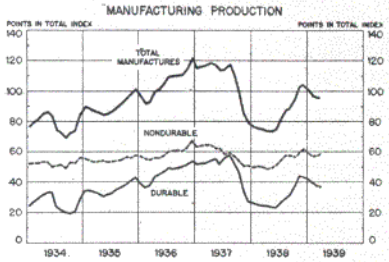
During the first week of April, hog receipts were small and prices rose sharply. In the second week, however, receipts increased and prices declined to a "top" of $7, a new low since December 1934.

Receipts of sheep and lambs at South St. Paul declined seasonally during March but were a little larger than during March last year. Sheep receipts for the first quarter of 1938 were 9 percent smaller than during the same period last year. *The Sheep and Lamb Situation* states: "Slaughter supplies of sheep and lambs during the period from April through June are expected to be materially smaller than a year earlier. This reduction will reflect partly the relatively small number of early lambs in California and Texas which will reach slaughter weights and condition before July 1. Marketings of sheep and lambs after July 1 will depend to a considerable extent upon the outcome of the late lamb crop."

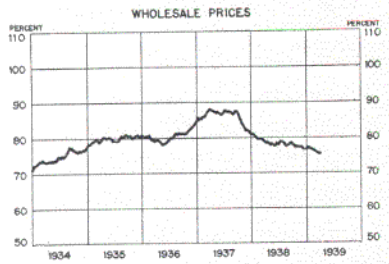
During the first two weeks of April, receipts were very small and slaughter sheep scarce. At mid-month fat lambs reached a "top" of $10, a new high since November 1937.

Commercial and farm hatchings of chickens for the entire 1939 season will probably be from 2-7 percent larger than the 1938 hatch according to the USDA. While actual estimates of farm hatchings are not available, the cumulative increase of commercial hatchings during the first three months was 26 percent larger than during that period in 1938. The West North Central States showed a gain of 33 percent. Hatchery production of **turkey poults** also continued to exceed that of a year earlier by a large margin.

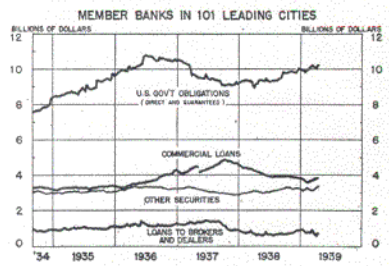
Cold storage supplies of all classes of meat during March declined less than seasonally but nevertheless continued to remain substantially below average and smaller than a year ago. Stocks of beef were less than half as large as usual and pork and lamb & mutton were 14 and 32 percent smaller respectively. Holdings of lard increased seasonally but remained about 7 percent below average. The abnormally large butter stocks (including holdings of governmental agencies) failed to decline much more than seasonally during March and consequently butter supplies on April 1 were more than 8 times as large as usual on that date. Cold storage supplies of eggs increased more than usual and were as large as the 5-year average for the first time since May 1 last year. Poultry holdings declined seasonally and on April 1 were only slightly above the average for that date.



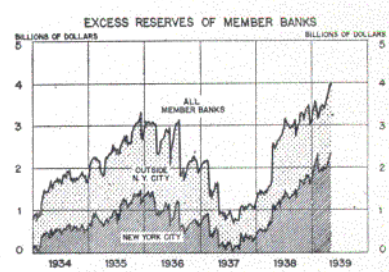
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. Durable and nondurable series expressed in terms of points in the total index. By months, January 1934 to March 1939.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ended April 15, 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to April 19, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934 to April 19, 1939.

National Summary of Business Conditions

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

In April manufacturing production was maintained at about the same rate as in March but mineral production declined, reflecting a sharp reduction in output of bituminous coal pending settlement of negotiations between operators and miners. In the first quarter of this year industrial output, after a rapid rise in the latter half of 1938, increased less than is usual at this season.

PRODUCTION: The volume of industrial production showed little change in March and the Board's seasonally adjusted index remained at 98 percent of the 1923-1925 average. The index for the first quarter averaged 99, compared with 101 in the final quarter of last year. Activity at steel mills in March was at 54 percent of capacity, a slightly higher level than in January and February. Automobile production increased less than seasonally. Retail sales of cars continued to fluctuate around a level considerably higher than last year but lower than in 1936 and 1937. Dealers' stocks of new cars began to decline in March, following an increase to a seasonally high level. Activity in the machinery industries increased further in March, continuing the rise that began last summer. Lumber production increased less than seasonally from the relatively low level of other recent months.

Production of nondurable goods in March continued at about the level that has prevailed since last autumn. In the woolen textile industry activity showed a decrease from the high level of recent months, while at cotton mills and shoe factories output was maintained in large volume. At meat-packing establishments and sugar refineries increases in activity were reported, following earlier declines.

The value of construction contract awards increased in March, according to F. W. Dodge Corporation figures, reflecting a seasonal rise in residential and other private building. Awards for public projects showed little change.

In the first three weeks of April bituminous coal production declined to a low level as most mines were closed, pending the settlement of biennial contract negotiations between mine operators and workers. Steel ingot production was reduced somewhat, averaging about 52 percent of capacity, and automobile production showed little change from the rate reached in the latter part of March.

DISTRIBUTION: Sales at department stores and mail order houses increased somewhat more than seasonally in March, while variety store sales showed the usual rise. For the first quarter as a whole retail sales were in about the same volume as in the final quarter of 1938, after allowance for seasonal changes.

Freight carloadings showed less than the customary advance from February to March as loadings of coal declined and shipments of miscellaneous freight increased less than seasonally. In the first half of April there was a marked decrease in freight traffic, reflecting in large part a sharp decline in coal shipments.

COMMODITY PRICES: Prices of steel scrap, copper, hides, and some other industrial raw materials declined from the middle of March to the third week of April, and there were decreases also in prices of livestock and dairy products. Silk prices rose considerably. The general level of wholesale prices, as measured by the index of the Bureau of Labor Statistics, declined to 76 percent of the 1926 average as compared with 77 in the middle of March and at the beginning of the year.

BANK CREDIT: Reflecting continued heavy gold imports and Treasury disbursements from its balances at the Reserve banks, member bank reserves and deposits increased sharply during the four weeks ending April 19. Excess reserves rose to a record high level of $4 billion. Total loans and investments at banks in 101 leading cities, which had shown little change during March, increased somewhat during the first three weeks of April, reflecting principally continued purchases of United States government obligations by New York city banks. Loans to brokers and dealers in securities declined.

MONEY RATES AND SECURITY PRICES: Prices of government bonds and of other bonds of highest grades continued firm at high levels during March and the first three weeks of April, while prices of the lower grade corporate bonds and of corporate stocks declined. The average discount rate on new issues of 91 day Treasury bills continued at low level and other open-market rates remained unchanged.