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

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Retail trade in March declined sharply from February levels but was generally larger than a year earlier especially in country sections. Member bank deposits remained high through March but city member bank deposits declined early in April. Farm marketings and income were high.

BUSINESS

Most indexes of the volume of business in this district were smaller in March than in the preceding months according to our seasonally adjusted indexes. The volume of money payments on a daily average basis apparently was fully as large as in February as both our total bank debits and our country check clearings indexes rose slightly but all of our other indexes showed declines. Compared with March last year, however, most of our indexes were higher, the largest increases being recorded by those indexes based largely on business volumes in the country sections of the district. This development is partially explained by the less favorable weather for field farm work in March of this year and partly by the large increase in the estimates of farmers' cash income.

Northwestern Business Indexes

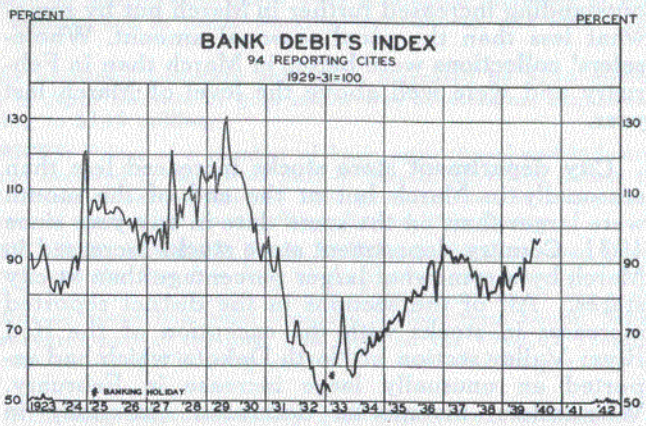
(1929-1931=100)

	Mar. 1940	Feb. 1940	Mar. 1939	Mar. 1938
Bank debits—94 cities	97	95	82	79
Bank debits—farming centers	103	103	92	89
Country check clearings	171	170	145	145
City department store sales	91	97	96	94
City department store stocks	85	88	81	79
Country department store sales	93	116	90	97
Country lumber sales	108	128	104	98
Miscellaneous carloadings	83	88	82	76
Total carloadings (excel. Miscellaneous)	69	70	64	63
Employment—Minn. (1936=100)	102	99	98	95
Farm Prices—Minn. (1924-26=100)	67	69	66	76

Daily average bank debits in March were higher than the average in any March since 1930. All of the economic subdivisions in the district were substantially above the March 1939 level with the exception of the beef-and-pork producing section in southeastern Minnesota which showed a 1% decline. **Daily average country check clearings** for the district were well above the level of any other March on record and the average for each geographical section for which separate records are maintained was higher than in any other March with the exception of our portions of Michigan and Wisconsin. The average for those sections was higher than in March of 1938 or 1939 but was a little below the average for March 1937.

Total construction in this district in March rose sharply from the 5-year low volume of February but was one-third smaller than in March last year. About a third of the increase in March over February was the result of an increase in the volume of contracts for public works, a little more than a third was in residential contracts and the balance was scattered throughout the other eight classifications for which we have separate records. Residential and commercial contracts were the only two classes that showed any important increases over March 1939. **Building permits** issued by 37 cities and towns in the district were lower in March this year than a year earlier with the result that the total for the 71 reporting centers was one-third smaller than a year ago. Declines were reported for both new construction and for repairs and alterations.

Department store sales in the district in March did not hold the level of February but were a little larger than a year ago, increases at country points more than offsetting the decline in city department store sales. The March increase was again very general, all of the sections in the district reporting increases over last year with the exception of southeastern South Dakota which reported the same volume as a year ago. The unusually large increases shown for two sections in North Dakota were largely the result of exceptional gains at a limited number of stores, but in both sections, a majority of the individual store reports showed some gain and the declines reported by the other stores were very small. During the first quarter, sales each month at country stores have compared more favorably with sales in the same month in the preceding year than at city stores with the result that sales during the first quarter of



Bank Debits Index for Reporting Cities in the Ninth Federal Reserve District, adjusted for Seasonal Variation.

1940 at country points were 15% larger than a year earlier but at city department stores the increase was only 4%.

Sales at Department Stores

	No. of Stores	% Mar. 1940 of Mar. 1939	Cumulative % 1940 of 1939
Mpls., St. Paul., Duluth-Superior	21	97	104
Country Stores	427	112	115
Minnesota	144	108	114
Central Minnesota	26	107	116
Northeastern Minnesota	17	111	117
Red River Valley Minnesota	11	112	125
South Central Minnesota	29	107	110
Southeastern Minnesota	20	105	108
Southwestern Minnesota	41	109	117
Montana	47	115	113
Mountain	13	118	118
Plains	34	113	110
North Dakota	78	123	126
North Central North Dakota	14	105	117
Northwestern North Dakota	12	144	143
Red River Valley North Dakota	24	115	120
Southeastern North Dakota	23	121	122
Southwestern North Dakota	5	185	169
Red River Valley—Minn. & N. D.	35	115	121
South Dakota	83	102	109
Southeastern South Dakota	18	100	106
Other Eastern South Dakota	53	104	111
Western South Dakota	12	105	104
Wisconsin and Michigan	75	112	113
Northern Wisconsin & Michigan	41	120	118
West Central Wisconsin	34	106	110
Total District	448	103	109

Retailers' collections on accounts and notes receivable in March at 43 stores were in a larger dollar volume than in March last year. The collection situation, however, was not as good as in March a year ago nor as good as the 5-year average for the month. In other words, while the dollar volume of collections was relatively high, that was directly attributable to the largest volume of receivables in our six year records at the end of February. Receivables outstanding increased further in March but by somewhat less than the usual seasonal amount. **Wholesalers' collections** were better in March than in February and were well above the level of March last year.

City department store stocks increased less than seasonally in March but at the end of the month were larger than on the same date in any year since 1931. **Country department store stocks** increased in March by a somewhat larger percentage than at city stores. All of the sections in the district reported increases in stocks with the exception of the Red River Valley section of North Dakota which had reported an unusually large increase in February. **Wholesalers' inventories decreased seasonally in** March but on April 1 were 14% higher than on the same date one year earlier.

Warranty deeds recorded in Hennepin and Ramsey Counties in March continued to be much more numerous than in the same month in the preceding year. The March total was the largest for that month since 1927 and the total for the first quarter of the year was larger than in the first three months of any year since 1929. **Real estate mortgages** increased seasonally in March and were larger in number than in the same month in any year since 1931. **Mortgages accepted for FHA insurance** increased in February in both number and amount. While the number of mortgages accepted in February was a little smaller than in February 1937, the aggregate face amount in February was the largest on record.

Business failures in March were larger in number than in the same month since 1936 and larger in amount than in any March since 1934. The March volume of liabilities, slightly in excess of a half million dollars, was the largest in any month since April 1938. **Non-farm real estate foreclosures** in February were sharply reduced from the level of the preceding month to the smallest number in our 5-year records which was little more than half as large as in February last year.

The volume of production in this district declined slightly during March whereas a small increase is customary at this season. Flour production and shipments were in about the same volume as in February but were both well below March 1939. Shipments of linseed products increased and were nearly double one year ago. Slaughterings of cattle and calves increased but were smaller than a year earlier. Hog slaughter declined slightly but was nearly double that of March 1939. Slaughter of sheep and lambs declined sharply and was about 30% less than one year earlier. The cut of lumber was nearly as large in March as in February and was one-fifth larger than in March last year. Shipments of forest products increased sharply and were slightly larger than a year earlier. Mine production of copper and silver increased somewhat and was more than one-third larger than in March 1939. Production of gold was unchanged from the previous month but was 12% greater than in the same month last year. The number of employees of reporting mining companies on March 30 was unchanged from the end of February but was 12% larger than at the end of March 1939. The Minnesota employment index rose from 99 in February to 102 in March, the largest March increase in the four years for which index figures are available. The daily average amount of electric power utilized in February declined seasonally from January but was the largest February volume in our 20 year records.

Other business activity indicators that were as high or higher in March than a year earlier were net telephone installations in the Twin City area; carloadings of grain and grain products, livestock, forest products and ore; new passenger car sales in our four complete states; life insurance sales; and wholesales of groceries, electrical goods, general hard-

ware, plumbing and heating supplies, paper and tobacco. Indicators that were lower than a year earlier were carloadings of coal, coke, LCL and miscellaneous freight.

BANKING

Country member bank deposits declined slightly in March but remained at about the highest level of recent years. As a result of a small decrease in **earning assets** which was largely converted into balances with us, **excess reserves** rose to nearly $26 million, the highest level since November 1936. At the same time, balances due from other banks rose to nearly $102 million, the highest in our four year records. Compared with March 1939, deposits were up $41 million, earning assets were up $9 million and balances with other banks and with us, up $22 and $10 million respectively.

City member bank deposits showed little change in March but declined rather abruptly in the first half of April. All classes of deposits showed declines which were met by sharp decreases in balances with other banks and with us. At the same time, holdings of United States Treasury bills and other securities were increased substantially with the result that **total cash reserves** (including balances with correspondents and with us) dropped to the lowest level in nearly a year with the exception of one week late in February. **Loans to customers** in March and early April continued the increase that began in February. On April 10, the volume of outstanding customers' loans was the largest in eight years with the exception of two weeks last November. As mentioned last month, holdings of government securities decreased sharply early in March but these decreases were only temporary as is indicated by the increases mentioned above. Total investments on April 17 were only $10 million smaller than at the end of February. **Excess reserves** declined each week from the all-time high of $48 million on March 13 to $25 million on April 17.

Bills discounted by this bank for member banks declined sharply between March 13 and April 17 and on the latter date totalled only $22 thousand. **Current industrial advances** increased slightly but commitments to make industrial advances declined by about the same amount. Holdings of **United States government bonds and notes** each increased by about a half million dollars during the five week period under review. The volume of **Federal Reserve notes** in actual circulation, after declining in the first two months of the year, increased moderately in the latter part of March and early April. **Member bank reserve balances,** after setting a new record on March 13 at $171 million, declined to $148 million on April 17.

Deposits at all member banks declined slightly during the first quarter of 1940 chiefly as a result of decreases in demand deposits at city (weekly reporting) banks. The member bank March 26 district total, however, with the exception of the December 31, 1939, figure, was the largest since early in 1931. Despite the small decline in deposits, earning assets were increased slightly during the first quarter of this year, largely as a result of a $6 million increase in the volume of loans and discounts. Comparable figures for selected items from called reports of the two groups of banks are shown in the table below.

Selected Items from March 26, 1940 and December 30, 1939 Called Reports, in Millions of Dollars

	City (weekly reporting) Banks			Country (non-weekly reporting) Banks		
	3-26 1940	12-30 1939	Change	3-26 1940	12-30 1939	Change
Earning Assets						
Total Loans & Discounts	$192	$191	$ + 1	$171	$166	$ + 5
U. S. Govt. Securities	171	171		123	126	— 3
Sec. of States, Counties, Municipalities, etc.	29	25	+ 4	51	51	
"All Other" Securities	16	18	— 2	35	39	— 4
Total Earning Assets	$408	$405	$ + 3	$380	$382	$ — 2
Deposits						
Ind., Part. & Corp. (dem.)	$255	$276	$ —21	$193	$195	$ — 2
Ind., Part. & Corp. (time)	119	119		240	237	+ 3
U. S. Government	2	2		3	3	
State, Co. & Mun., etc	55	56	— 1	52	49	+ 3
Due to Banks	166	157	+ 9	19	19	
"All Other" Deposits	6	7	— 1	5	5	
Total Deposits	$603	$617	$ —14	$512	$508	$ + 4
Number of Banks	20	20		444	447	— 3

AGRICULTURE

Farmers' cash income in this district as computed from terminal receipts of seven products (excluding government payments) increased more than seasonally in March, was half again as large as in March last year, and the largest for any month, with the exception of a few heavy crop marketing fall months, since January 1931. Increased marketings were largely responsible for increasing the farm income in March to nearly $40 million compared with $32 million in February and only $27 million in March last year.

Agricultural product prices were about the same in March as in the first two months of this year. Grain prices were all well above prices in March 1939 but livestock prices, with the exception of sheep and lambs, were all lower than one year earlier. Sheep, lamb and wool prices in 1940 have all been consistently higher than in the first quarter of 1939. Butterfat and fluid milk prices declined seasonally in March but were both somewhat higher than in March last year. Poultry prices declined again in March after recovering slightly in February. Egg prices also declined in March and at the end of the month were only slightly higher than the low levels of last summer which were the lowest in five years.

Receipts of cattle and calves at South St. Paul increased seasonally during March but were 17% smaller than the unusually large receipts during March 1939. Canadian importations increased some-

what, but amounted to only a little more than 3% of total marketings. During the first quarter of 1940 about 8 thousand cattle and calves of Canadian origin were marketed at South St. Paul compared with 13 thousand in 1939 and 28 thousand in the first quarter of 1937. Total marketings of cattle and calves during the first quarter amounted to 305 thousand head compared with 338 thousand head during that period of 1939. *The Livestock Situation* stated: "The upward trend in cattle numbers, which began in 1938, probably will continue for a few more years, barring the recurrence of severe droughts. . . . For about two years cattle prices generally have been higher in relation to the long-time average than have hog prices. In January 1940, the average price for hogs paid by packers was about $5.35, which is about 33% lower than the 1921-34 average price of hogs for January. The average price for cattle paid by packers in January 1940 was about $7.65. This figure is 7% greater than the 1921-34 January average."

Shipments of stocker and feeder cattle from South St. Paul increased seasonally during March but were one-third smaller than the heavy March shipments in 1939. During the first quarter of this year, feeder and stocker cattle shipments were 20% smaller than during the same period a year ago. The Agricultural Marketing Service reported that the number of cattle on feed in the Corn Belt states on January 1 was estimated to be 12% larger than a year earlier whereas on April 1 there was an increase of only 2%. According to *The Livestock Situation*, "Marketings of grain fed cattle may be large throughout the year, but the increase over a year earlier is expected to be most pronounced during the first half of the year. The increase in marketings of short-fed cattle probably will be greater than the increase in marketings of long-fed, well finished cattle."

Receipts of sheep and lambs at South St. Paul declined seasonally during March and were a little smaller than in March 1939. Sheep receipts for the first quarter of 1940 were 4% larger than during the same period last year. According to *The Livestock Situation*, "Slaughter supplies of sheep and lambs during the early part (May and June) of the spring lamb marketing season this year probably will be considerably larger than during those months last year. In addition to large marketings of spring lambs from Texas, shipments of grass-fat yearlings and wethers from that state before July 1 also are expected to exceed those of last year."

Receipts continued to decline seasonally during the first part of April and demand continued to be strong. At mid-April, fat wooled lambs sold at a "top" of $10.65, the highest price paid since October 1937.

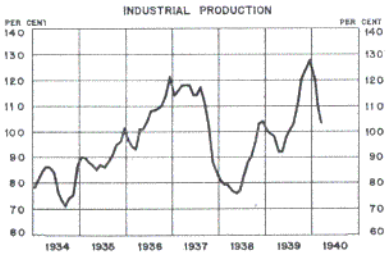
Hog receipts at South St. Paul during March declined slightly from the unusually large February volume but were more than 60% larger than in March 1939. During the first quarter of 1940, hog receipts were more than half again as large as during the corresponding period a year ago. *The Livestock Situation* reported: "Hog marketings during the remainder of 1939-40 marketing year (ending September 30) will continue materially larger than a year earlier. . . . On the basis of breeding intentions reported about December 1, it was indicated that the number of sows to farrow this spring would be about the same as a year earlier. Since December, however, corn prices have advanced and hog prices have declined. . . . This unfavorable ratio probably will cause many farmers to keep fewer sows for spring farrow than was indicated by the reports made about December 1."

During the first part of April, receipts dwindled and prices began to strengthen. At mid-month, prices rose sharply and on the 18th of April a "top" of $6.00 was recorded, $1.25 above the "top" two weeks earlier and the highest price paid since last October.

The dairy cow market at South St. Paul was steady during March in spite of continued weakness in dairy product prices. Supplies of good quality cows were limited and sold at prices from $70-$80, the extreme range being $40-$85.

Commercial and farm hatchings of chickens for the entire 1940 season will probably be from 2 to 7% smaller than the 1939 hatch according to the USDA. A preliminary report of the Agricultural Marketing Service indicated that hatchings in March by commercial hatcheries continued to be smaller than a year ago and that the number of eggs set were 6% fewer than in March 1939. *The Poultry and Egg Situation* stated: "Total egg marketings may be heavier in the first half of 1940 than in the same period of last year. . . . The effect on prices of any increase in marketings during the next few months will be at least partly offset by the effect of the higher level of consumer income compared with a year earlier."

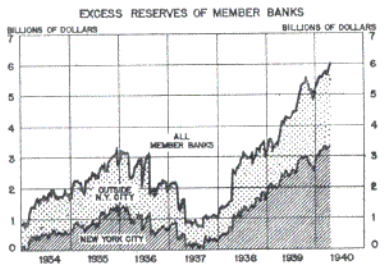
Cold storage supplies of all classes of meat failed to decline seasonally during March and were all substantially larger than on April 1, 1939. Beef was the only class of meat that was below normal. Pork and lard holdings increased as a result of unusually heavy hog slaughterings and on April 1 they were 20% and 123%, respectively, above the 5-year median. Lamb and mutton stocks were 60% above the usual April 1 level. Butter in cold storage declined less than seasonally during March and was somewhat above normal on April 1. The into-storage movement of eggs was less than usual during March, and cold storage holdings remained well below the usual April 1 level. Due to the large supplies of turkeys in cold storage, poultry stocks continued to be substantially above the April 1 5-year median.



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to March 1940.

Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to March 1940.

U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to March 1940.



Wednesday figures partly estimated, January 3, 1934 to April 17, 1940.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 18, 1940

Industrial activity continued to decline during March but at a somewhat slower rate than in the preceding two months, and in the first half of April there was little further decrease. Wholesale prices of basic commodities decreased somewhat in the latter half of March but recovered by the middle of April. Distribution of commodities to domestic consumers continued in large volume, and exports were at the high levels reached last December.

PRODUCTION: The Board's index of industrial production, which is adjusted for usual seasonal variations and for the number of working days, was 103 in March compared with 109 in February. The decline reflected chiefly a further reduction in output of steel and considerable decreases in activity at cotton and woolen textile mills.

Steel ingot production declined from an average of 69 per cent of capacity in February to an average of 64 per cent in March. In the first half of April output was at around 61 per cent of capacity. Automobile production in March and the first half of April was maintained at the high rate prevailing during January and February but did not show the increase customary at this season. Retail sales of automobiles continued in large volume, and dealers' stocks of new cars declined somewhat from the high level reached earlier. In the machinery industries activity showed some decline from the high rate of other recent months, while at aircraft factories and shipyards activity continued at peak levels. Output of lumber and plate glass advanced seasonally in March.

In the woolen textile industry, where activity had been declining from the high level reached last November, there was a further sharp reduction in March. Activity at cotton textile mills also declined considerably but remained at a somewhat higher level than prevailed a year ago. Shoe production likewise declined considerably in March. At silk mills activity remained at an exceptionally low level, while rayon production was large.

Mineral production was maintained in large volume in March. There was some further reduction in output of bituminous coal, but output of anthracite increased, following a sharp decline in February. Crude petroleum production continued at record levels.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased considerably in March, as is usual at this season. The increase was principally in awards for private work, which in March approximately equalled those in the corresponding period last year. Public awards increased somewhat, following declines in January and February, but were in smaller volume than a year ago. Private residential building rose by about the usual seasonal amount.

DISTRIBUTION: Sales of general merchandise at department and variety stores and by mail-order houses increased by about the usual seasonal amount from February to March, with allowance for the earlier date of Easter this year. In the first week of April sales at department stores were at a higher level than in March.

Freight carloadings showed little change from February to March, although a rise is usual between these months. Shipments of miscellaneous freight showed considerably less than the usual seasonal increase, and there was some further decline in loadings of coal.

FOREIGN TRADE: Exports of United States merchandise in March continued near the high level reached last December. Agricultural exports, principally cotton, decreased from February to March, while there were substantial increases in shipments of commercial vehicles and in metal working, agricultural, and other types of machinery.

During March, the country's monetary gold stock increased by $256 million. In the first two weeks of April the rate of gold inflow was accelerated, acquisitions in this period amounting to $145 million.

COMMODITY PRICES: Prices of a number of basic agricultural and industrial commodities, which had declined in the latter part of March, advanced during the second week in April. Prices of certain finished steel products, on the other hand, were reduced, and prices of most other commodities showed little change.

GOVERNMENT SECURITY MARKET: Prices of Treasury bonds moved sharply upward during March and the first few days of April to a new high level since last summer. On April 9, however, on receipt of news of the expansion of war activities in Europe, a decline of about one point occurred in long-term bonds. Subsequently the market recovered part of the loss. The yield on the 1960-65 Treasury bonds was 2.31 per cent on April 15, compared with a low of 2.26 per cent on April 2.

BANK CREDIT: Reflecting continued heavy gold imports, excess reserves of member banks increased during the four weeks ended April 10 to a record high level of nearly $6 billion. Total loans and investments at banks in 101 leading cities, which had shown little net change during March, increased in the first two weeks of April, reflecting purchases of United States Government obligations.