

# MONTHLY REVIEW

OF  
AGRICULTURAL AND BUSINESS CONDITIONS  
IN THE  
NINTH FEDERAL RESERVE DISTRICT

Vol. 7 ( Serial  
No. 309 )

Federal Reserve Bank, Minneapolis, Minn.

September 28, 1940

Business continued to recover in August. Department store sales, check clearings and residential contracts were the highest on record for August. Member bank deposits and total reserves increased to record levels. Farmers' cash income rose to the highest level of the last two years.

## BUSINESS

The volume of business in August in the Ninth District continued the recovery noted in July and closely approached the high levels of the first quarter, according to our seasonally adjusted indexes. The city department store sales index at 115 was higher than in any other month in our eleven-year record and the country department store and check clearings indexes were the highest ever recorded for August. While our indexes are adjusted for normal month-to-month variations in volume, no special adjustments are made for the influence of five-Saturday months and other unusual factors. The combined influence of several such factors in August undoubtedly contributed to the record volumes of retail sales, especially at city and country department stores. The unusually cold weather in August greatly stimulated pre-fall sales of fall merchandise during the month; pre-school purchases of clothing and supplies for grade and high school students were advanced into August by the opening of schools on the first business day of September; and August contained five Friday-Saturday weekends, one of which was the pre-Labor Day weekend.

### Northwestern Business Indexes

(1929-1931=100)

	Aug. 1940	July 1940	Aug. 1939	Aug. 1938
Bank debits—94 cities.....	87	88	82	81
Bank debits—farming centers..	101	97	93	88
Country check clearings.....	165	160	149	144
City department store sales...	115	103	102	93
City department store stocks...	84	86	83	78
Country department store sales	114	105	101	93
Country lumber sales.....	121	118	104	101
Miscellaneous carloadings....	89	88	83	75
Total carloadings (excl. miscellaneous)	89	88	75	60
Employment—Minn. (1936=100)	114	112	109	103
Farm prices—Minn. (1924-26=100)	61	66	55	60

Total building and construction contracts awarded in this district in August as reported by the F. W. Dodge Corporation increased by more than the usual amount to the highest level since July last year. Construction of public utilities accounted for a large portion of the increase but that total was supplemented by smaller increases in contracts for public works and buildings. The largest increases in the

latter classification were in public and religious & memorial buildings, but residential building also showed some further increase from the high levels that have prevailed since last April, raising the August volume to the highest level in our twenty-two-year records for that month. Building permits issued in 73 cities and towns in the district were 6% larger in both number and valuation than in August last year.

Warranty deeds and mortgages recorded in Hennepin and Ramsey Counties increased by somewhat less than the usual amount in August. The number of real estate mortgages recorded, however, was larger than in any other August since 1928. Mortgages accepted for FHA insurance in August, reflecting the large volume of residential building during the month, were more numerous and larger in total than in any other month in our five-year records.

Business failures in August, while remaining relatively small both in number and in amount of liabilities, were substantially larger than the near-record low in July. Non-farm real estate foreclosures in July were sharply lower than in June and were smaller than in any other month in our five-year records.

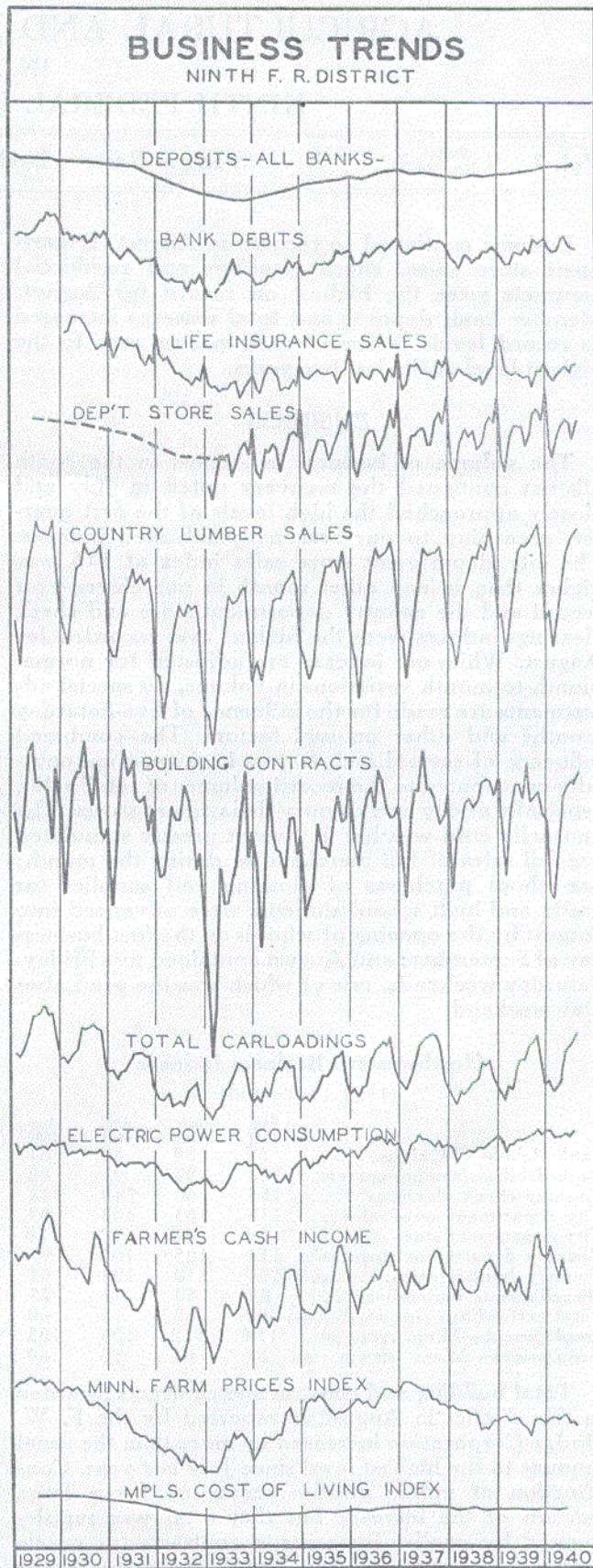
Retailers' collections on accounts and notes receivable as reported by a group of forty-three stores declined a little less than seasonally in August and were the highest for the month in our six-year records. Retailers' receivables reflected the larger volume of sales and increased 4% instead of showing practically no change, as is usual during August. Wholesalers' collections as compiled by the Bureau of the Census also declined in August but were well above the level of August 1939. Wholesalers' receivables at the end of August were quite generally higher than a year ago but were slightly lower than one month earlier. City department store inventories increased less than the usual amount during August, largely because of the rapid movement of goods into consumption, and the end of August total was only slightly higher than one year earlier. Prior to August 31, city department store stocks each month-end had been substantially higher than a year earlier for fourteen successive months. Country department store inventories, however, increased by about the usual amount in August despite the larger than usual volume of sales during the month and on August 31 were well above the previous year's level. Wholesalers' inventories according to the Bureau of the Census decreased in August, reflecting the general increase in sales, but in most lines were larger at the end of the month than a year earlier.

Department store sales in this district, as previously noted, were substantially higher than in August 1939, raising the cumulative increase for the first eight months to 7% compared with only 5% for the January-July period. For the first time since last February when the extra business day in 1940 was a special factor, the volume of sales reported in August by each of the eighteen sections of the district was larger than in the corresponding month last year, the increases ranging from only 2% in southwestern North Dakota to 20% in the southeastern section of the same state.

Sales at Department Stores

	Number of Stores		% Aug. 1940 of Aug. 1939	Cumulative % 1940 of 1939
	Showing Increase	Showing Decrease		
Total District	308	65	113	107
Mpls., St. Paul, Dul.-Sup.	15	5	113	105
Country Stores	293	60	113	108
Minnesota	105	20	116	109
Central Minnesota	19	6	112	110
Northeastern Minnesota	15	1	116	113
Red River Valley Minnesota	6	4	113	107
South Central Minnesota	23	4	116	105
Southeastern Minnesota	12	3	118	108
Southwestern Minnesota	30	2	117	110
Montana	29	7	113	109
Mountain	7	2	112	109
Plains	22	5	113	108
North Dakota	49	13	112	107
North Central North Dakota	9	3	104	104
Northwestern North Dakota	7	1	110	108
Red River Valley N. Dak.	17	6	113	107
Southeastern North Dakota	15	2	120	110
Red River Valley—Minnesota and North Dakota	23	10	113	107
South Dakota	53	16	112	106
Southeastern South Dakota	11	5	111	107
Other Eastern South Dakota	32	11	113	106
Western South Dakota	10	0	111	104
Wisconsin and Michigan	57	4	113	109
Northern Wis. and Mich.	27	3	113	110
West Central Wisconsin	30	1	112	108

Iron mining activity in August as indicated by iron ore shipments from the upper lake ports was slightly greater than the high level of July. The tonnage shipped was larger than in any single month in the last eleven years with the exception of the all-time record months of June and July 1937. Consumption of iron ore again increased in August to 5.7 million tons, the largest monthly total since August 1929. As a result of greater activity at steel mills, however, dock and furnace yard stocks increased by less than 5 million tons, but were a little larger than the quantities on hand at the end of the same month twelve months earlier for the first time this year. Copper production continued at a moderately high level in August, the total for the month being a little larger than in July and far above the August 1939 volume, but somewhat lower than in the first four months of this year and far below the 1937 average. Gold and silver production was about as large in August as in July and was much higher than in August 1939. Miners employed in producing copper, silver and gold increased slightly in number during August.



The volume of manufacturing production in this district as indicated by the lines mentioned below was substantially higher in August than in July and a little higher than in August last year. Flour production at Minneapolis mills increased in August to a point 5% above August last year. In the balance of the district, however, the August increase failed to reach the August 1939 level by about 4%. On the other hand, linseed product shipments which were in record volume in July increased further in August to the highest level for that month in our twenty-one-year records, more than half again as large as in August 1939. The cut of lumber increased sharply in August to a level fully a third higher than in July and in August last year, but shipments continued to be larger than that increase and mill stocks of lumber declined further. Slaughtering of cattle, calves and hogs declined in August but slaughter of sheep and lambs increased. Compared with August 1939, cattle and hog slaughtering were larger but calf and sheep & lamb slaughter was in smaller volume. The Minnesota index of manufacturing employment rose from 112 in July to 114 in August, well above the 111 level of August last year. Electric power utilization rose sharply in July and was the second largest month in our twenty-one-year records, being exceeded only by October last year.

after remaining unchanged throughout the summer, declined slightly. As a result of increased deposits and earning asset reductions, balances with correspondents increased sharply to the highest level in our four-year records. Reserve balances with us also increased from the relatively low level of July, with the result that excess reserves during the latter half of August were only slightly lower than the record levels of last March.

City member bank deposits rose continuously throughout August and the first two weeks of September to a new all-time high record of \$640 million on September 11 but fell off slightly in the following week. Most of the increase was in interbank deposits. After declining in the first week of August, loans to customers also increased each week through September 18 when the total, \$192 million, was very nearly as high as the 8-year record level of last May. Other invested funds, while declining slightly early in August, were practically unchanged for the period.

Bills discounted by this bank declined sharply between mid-August and mid-September, the total on September 18 being only \$55 thousand compared with \$82 thousand one year earlier. Current industrial advances increased by a moderate amount but were only one-third as large as on September 20 last year. Our total earning assets remained slightly over \$72 million and on September 18 were about 8% lower than on the corresponding date in 1939. The situation with regard to member bank reserves is shown below:

	Required Reserves*	Member Bank Reserve Deposits*	Excess Reserves*
Reserve City Banks .....	\$55,052,000	\$ 95,308,000	\$40,256,000
Country Banks .....	38,216,000	67,018,000	28,802,000
Total Ninth District .....	\$93,268,000	\$162,326,000	\$69,058,000

\*Daily average for last half of August 1940.

Federal reserve notes in circulation continued to increase throughout the latter half of August and the first half of September and on September 18 reached \$148.6 million, an all-time high record.

AGRICULTURE

Farmers' cash income in August as computed from terminal receipts and prices of seven products increased seasonally to the highest level in the last two years. Higher livestock and livestock products prices were largely responsible for the increase but larger marketings of the more important commodities were also a factor. Income from marketings of bread wheat, potatoes, dairy products and hogs were all larger than a year ago, while cash receipts from the sale of durum wheat, rye, and flax were smaller.

The USDA estimate of farmers' cash income (including government payments) for July for the four complete states in the Ninth District, \$52½ million, was seasonally larger than in June and was one-fifth larger than in July last year. Most of the increase was the result of greater income from farm product marketings, as the increase in government payments was relatively unimportant.

Trends of other business activity indicators in August are shown in the table below:

	% August 1940 of July 1940	% August 1940 of August 1939
Motor Vehicle Registrations		
Passenger Cars		
Minnesota .....	49	102
North Dakota .....	65	131
Trucks		
Minnesota .....	84	121
North Dakota .....	177	164
Life Insurance Sales		
Minnesota .....	99	118
Montana .....	111	97
North Dakota .....	104	108
South Dakota .....	90	101
4 States .....	100	113
Net Telephone Installations in the Twin City Area	176	149
N. W. District Carloadings		
Coal and Coke .....	115	128
L.C.L. Merchandise .....	104	98
Wholesales*		
Automotive Supplies .....	118	107
Beer .....	70	73
Drugs .....	111	106
Fresh Fruits, etc. ....	109	103
Groceries .....	101	97
Hardware .....	126	137
Paper .....	131	113
Plumbing and Heating Supplies.....	114	97
Tobacco .....	107	103
Miscellaneous .....	110	107

\*Compiled by the Bureau of the Census, Washington, D. C.

BANKING

Country member bank deposits rose to the highest level in our four-year records during the latter half of August. The average for that period was a little more than \$514 million. All of the states and part-states of the district shared in the increase. Time deposits declined slightly in August for the fourth successive month to the lowest level since last January but a \$5 million increase in demand deposits offset that decline and carried the total of all deposits to the highest level since 1936. Earning assets,

**Agricultural product prices** in August showed mixed trends. Livestock and livestock product prices were mostly higher than in the preceding month and in August last year, but grain prices were quite generally lower. Our weighted beef cattle price rose to \$9.35 per hundred, the highest point in our three-year record. The Minnesota farm price index declined sharply from 66 in July to 61 in August but was well above the August 1939 level, 55.

**Receipts of cattle** at South St. Paul during August were smaller than in July in spite of the usual increase in marketings at this season of the year, but were 10% larger than during August 1939. Receipts of calves likewise declined and were smaller than one year earlier. During the first eight months of 1940, receipts of cattle were slightly larger than during the corresponding period of 1939 but calf receipts during this period were 6% smaller than a year ago. According to *The Livestock Situation*, "Consumer demand for meats during the rest of this year is expected to be stronger than a year earlier. In the first half of 1941, also, consumer demand may be better than a year earlier. It is expected, therefore, that the general level of cattle prices will be well maintained, especially in view of the prospects for a smaller hog slaughter in 1940-41 than in 1939-40."

**Shipments of stocker and feeder cattle and calves** in August were smaller than in July, even though a sharp increase in shipments is normal during August, and were also somewhat smaller than in August, 1939. Shipments of calves were only a little more than half the August 1939 volume. *The Livestock Situation* reported: "The demand for feeder cattle this fall may not be so strong as it was last fall. Returns from feeding operations have been unfavorable for feeders in recent months. Prices of corn and other feeds are generally higher than a year earlier. With prospects for a weaker feeder demand, prices of stocker and feeder cattle this fall may average little higher than a year earlier. And it is probable that the spread between prices of feeder steers and slaughter steers will be wider than it was last fall."

**Dairy cow trade** during August remained steady for good quality cows but there was a weakness in prices for the medium and poor classes of cows, some of which sold to slaughter cattle buyers. The price range for the bulk of cow marketings was from \$60-\$75, the extreme price range being from \$35-\$100.

**Hog receipts** at South St. Paul declined more than seasonally during August and recorded the smallest gain over one year earlier since last November. During the first eight months of 1940, hog receipts were nearly half again as large as during the same period in 1939 and the largest for that period in more than 10 years. *The Livestock Situation* stated: "Export demand for pork and lard in 1940-41 is expected to be no better than in 1939-1940, if as good. Domestic consumer demand for pork and lard in 1940-41, however, promises to be better than in 1939-40. This improvement in consumer demand and the de-

crease in hog marketings are expected to result in materially higher average prices for hogs in 1940-41 than in the present marketing year."

**Receipts of sheep and lambs** increased seasonally in August but were about one-third smaller than in August 1939. This is a continuation of the rather slow marketward movement of spring lambs this season, undoubtedly due in large part to the excellent condition of ranges and the poorer demand for feeder and unfinished lambs. During the first eight months of 1940, sheep and lamb receipts were slightly smaller than during the corresponding period one year earlier. According to *The Livestock Situation*, "The larger lamb crop this year than last and relatively slow market movement of lambs prior to July indicate that slaughter supplies of sheep and lambs during the remainder of 1940 will be larger than a year earlier . . . The effects of the larger supplies of lambs upon prices will be offset by the stronger consumer demand for meats this year than last. For the remainder of this year prices of slaughter lambs are expected to average as high as a year earlier and perhaps a little higher."

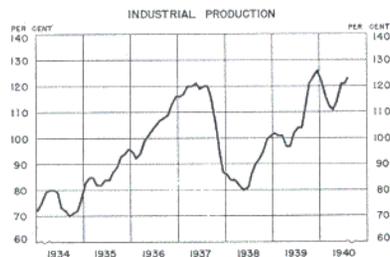
**Egg production** in the four complete states in this district declined seasonally during August, but was 8% larger than one year earlier. During the first eight months of 1940, egg production was 7% larger than in the corresponding period of last year. In the United States, as a whole, the gain over one year earlier was 4% for the month of August but only 1% for the first eight months. The number of **chickens raised on farms** in our four states in 1940 was 5% smaller than in 1939, according to preliminary estimates of the USDA. United States production was 6% smaller.

**Cold storage holdings** of butter and cheese increased seasonally during August but in somewhat larger than usual volumes, especially cheese which increased more than twice as much as the median amount. As a result, September 1 stocks of cheese were the largest since September 1, 1938, and with that exception, the largest on record. Egg holdings declined by a little more than the usual amount in August, reducing stocks to only 9% over the average. Poultry in cold storage also declined slightly in August instead of showing the usual increase, but on September 1 stocks were nearly a third larger than the average and were the largest in our eleven-year records for that date. As a result of a much smaller-than-usual increase in cattle slaughterings in August there was a moderate net withdrawal of storage beef during the month instead of the usual small increase in stocks, with the result that September 1 holdings were far below the average and only a little above the low level of September 1, 1939. Holdings of pork and lard were also reduced during August by much more than the usual amount as a result of a larger-than-usual August decline in hog slaughterings. September 1 holdings of both pork and lard, however, continued to be well above the average and were the largest for that date since 1934.

## National Summary of Business Conditions

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

Production and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.



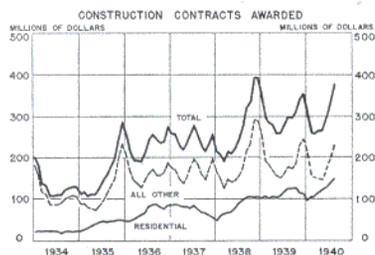
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to August 1940.



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



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation.

**INDUSTRIAL PRODUCTION:** The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July, and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month, followed by a sharp advance in the first two weeks of September, as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

**DISTRIBUTION:** Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September, department store sales continued to increase.

Freight-car loadings advanced from July to August, when little change is usual. Shipments of coal and miscellaneous freight increased, while loadings of grain showed more than a seasonal decline.

**COMMODITY PRICES:** Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September, and owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced, and several new models of automobiles were announced at advanced prices.

**AGRICULTURE:** Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions, the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including government payments, will be about \$9 billion for the calendar year 1940, as compared with \$8½ billion last year.

**BANK CREDIT:** Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ended September 11, while their holdings of investments showed little change.

**UNITED STATES GOVERNMENT SECURITY PRICES:** United States government security prices increased in the last half of August and the first week in September, and were steady in the second week in September.