MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 317) **Federal Reserve Bank, Minneapolis, Minn.** **May 28, 1941**

Business activity increased during April to a level substantially above one year earlier and the highest for the month since 1930. Bank loans advanced to a nine-year high. Farm prices rose but farm income was below a year earlier.

BUSINESS

April business volume in this district, aside from seasonal changes, rose to the highest level for the month since 1930 or earlier. The index of bank debits at 94 cities advanced 5 points to the highest level since 1930. The indexes of debits at farming centers and country check clearings declined slightly from the March level but were nevertheless the highest for the month on record. After adjusting for the changing date of Easter, department store sales were well above one year earlier and were the largest for April in our 13-year records. Country lumber sales increased more than seasonally from March and were larger than in any other April since 1930. The index of miscellaneous carloadings increased 5 points to a level 28% above April 1940 and the highest since 1930, while other carloadings advanced to the highest April level since 1929. The index of Minnesota commercial and industrial employment increased more than seasonally to a level 11% above a year ago and substantially higher than for any other April in our 8-year records. Farm prices rose to the highest level since September 1937.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Apr. 1941	Mar. 1941	Apr. 1940	Apr. 1939
Bank debits—94 cities	124	119	116	100
Bank debits—farming centers	128	131	113	104
Country check clearings	131	132	113	103
City department store sales	119	109	110	103
City department store stocks	108	107	104	101
Country department store sales	117	113	109	105
Country lumber sales	127	123	118	117
Miscellaneous carloadings	127	122	99	95
Total carloadings (excl. miscellaneous)	155	103	97	89
Employment—Minn. (unadj. 1936 = 100)	114	110	103	99
Farm Price—Minn. (1924-26 = 100)	85	74	69	67

Building and construction contracts awarded in this district as reported by the F. W. Dodge Corporation increased less than seasonally during April due to a reduction in the volume of contracts awarded for public works and public utilities during the month. Nevertheless, total contracts awarded were 16% larger than in April 1940 with each of the major classifications sharing in the gain. Public works contracts were 3% and public utility contracts 22% larger than one year earlier. Residential contracts were one-third larger than in April last year and the largest for the month since 1926. Contracts awarded for commercial and industrial buildings were nearly double one year earlier and the largest for the month since 1930. Contracts for other classes of building were small in amount and showed mixed trends. During the first four months of 1941, contracts awarded in this area totalled more than $28 million compared to $18 million during the corresponding period of 1940.

The valuation of building permits issued in eighty cities and towns in this district increased less than seasonally during April and was smaller than in April 1940. During the first four months of 1941, the valuation of permits was 5% larger than during that period of 1940.

Sales at Department Stores

	No. Stores Increase	No. Stores Decrease	% April 1941 of April '40	Cumulative % 1941 of 1940
Total District	244	44	114	106
Mpls., St. Paul, Dul.-Sup.	23	0	114	108
Country Stores	221	44	114	104
Minnesota	69	11	115	103
Central	10	0	114	104
Northeastern	6	1	132	109
Red River Valley	5	1	109	103
South Central	19	4	113	100
Southeastern	13	1	116	106
Southwestern	16	4	111	100
Montana	36	8	111	105
Mountains	10	3	107	107
Plains	26	5	113	104
North Dakota	41	8	115	100
North Central	7	2	107	97
Northwestern	6	0	125	105
Red River Valley	16	4	114	99
Southeastern	11	2	117	100
Red River Valley, Minn. & N. D.	21	5	113	99
South Dakota	26	8	114	108
Southeastern	7	2	120	113
Other Eastern	13	3	111	105
Western	6	3	98	93
Northern Wisconsin & Michigan	49	9	115	106
Northern Wisconsin	16	4	109	105
West Central Wisconsin	23	5	115	106
Upper Peninsula, Michigan	10	0	122	107

Department store sales in this district in April were 14% larger than in April 1940 at both city and country stores. A part of this increase may be attributed to the fact that Easter fell late in April this year whereas it was in March last year. Nevertheless, after adjusting for the effect of Easter, sales were substantially larger than one year earlier. During the first four months of 1941, sales at country stores were 4% and sales at city stores were 8% larger than in the corresponding period of 1940.

Manufacturing production in this district in April, as measured by the following indicators, was at the highest level for the month in recent years. The index

of Minnesota manufacturing employment increased more than seasonally, was 14% higher than in April 1940, and was substantially higher than in any other April in our 8-year records. Electric power production was 23% above one year earlier and was the largest April production on record. Lumber cut in this district was 24% larger than a year ago. Shipments of linseed oil during April were nearly 70% larger than in April 1940 and were nearly half again as large as any other April in our 22-year records. Flour production was in about the same volume as one year earlier and slaughterings of cattle were the same, hogs lower and sheep larger than in April 1940.

Iron mining activity in this district in April was the highest for the month on record. Iron ore shipments down the Great Lakes totalled nearly 7 million tons, compared to less than a half million tons in April 1940 and the previous April peak of 2.5 million tons in 1929.

BANKING

City member bank loans continued to advance during April and were at the highest level in more than nine years. On April 30, however, loans declined sharply reflecting the maturity of about $17 million of Commodity Credit Corporation wheat and rye loans, reducing total loans to the lowest level since October 1940. During the first part of May loans were nevertheless the highest for that season since 1932. Deposits of individuals, partnerships and corporations declined $66 million during the last weeks of April, reflecting adjustments made in anticipation of the Minnesota May 1 Money & Credits tax assessment date. During the first two weeks of May, deposits increased sharply to $660 million, only $5 million below the all-time high established on December 31, 1940. A survey of **commercial banks' credit extension to defense industries** in this area was made on April 30. The 20 city banks reported that as of April 30, they had made $5.4 million in loans to producers of defense materials and that commitments to make another $19.3 million of loans to defense plants were outstanding on that date.

Country member bank earning assets increased $4 million between the latter half of March and the latter half of April to about $411 million. During the latter half of April, earning assets averaged $28 million higher than during the corresponding period of 1940 and were at the highest level in nine years. Funds for increased loans and investments were secured by drawing down correspondent bank balances as reserves with us declined only slightly and deposits increased negligibly during the period. Deposits, however, were about $35 million larger than one year earlier and were at the highest level for that season in more than a decade.

The reserve position of Ninth District member banks as indicated by the daily average of deposits and reserves for the last half of April was as follows:

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
Country Banks	$ 58,851,000	$ 34,920,000	$23,931,000
City Banks	90,597,000	68,909,000	21,688,000
Total Ninth District (1941)	$149,448,000	$103,829,000	$45,619,000
Total Ninth District (1940)	140,823,000	96,523,000	44,300,000

AGRICULTURE

Total farmers' cash income in this district as estimated by the United States Department of Agriculture was slightly smaller during the first quarter of 1941 than in 1940, but was larger than in any other corresponding period since 1929. Income from marketings was slightly larger than one year earlier but the decline in government payments during the first quarter of 1940 more than offset the increased income from marketings. Farmers' cash income in April, as estimated by us, from seven important products was slightly smaller than one year earlier because of smaller terminal receipts of grain and lower grain prices. Income from wheat, rye and potatoes in April was substantially smaller than one year earlier but flax income was the largest for that month since 1926. Income from hogs was at the highest April level since 1931 and income from dairy products was the largest for the month since 1929.

Agricultural product prices at terminal markets in this district increased sharply during April to the highest level since September 1937. Cattle prices showed mixed trends but averaged higher than in March and about 10% above one year earlier. Hog prices advanced sharply and averaged $8.40 compared to $5.25 in April 1940. Lamb prices declined but were $1 per hundred higher than a year ago. Prices of butter, milk and eggs advanced sharply contrary to the usual decline in April and were at the highest levels for the month since 1937 or earlier. Chickens advanced to the highest level since the fall of 1937 and wool went up 1 cent a pound to 34 cents, the highest it has been since early in 1929. Grain prices also advanced somewhat during the month but, with the single exception of corn which was at the highest level since 1937, continued to be below one year earlier.

Livestock movement during April showed seasonal trends. Receipts of cattle and calves at South St. Paul were larger than in March but slightly smaller than in April 1940. While there were more cattle on farms than one year earlier, soggy roads in early April coupled with early spring pastures and abundant supplies of dry feed encouraged farmers to hold livestock that might otherwise have been marketed during April. Hog receipts declined seasonally during April and continued to be substantially smaller than a year ago. Receipts of sheep and lambs were in about the same volume as in April 1940. During the first four months of 1941, cattle and calf receipts were about 4% larger than in the corresponding period of 1940. Sheep receipts were 17% larger but hog receipts were 22% smaller than the unusually heavy marketings during the first four months of 1940. The Agricultural Marketing Service reported that the movement of stocker and feeder cattle into the Corn Belt for the four months, January-April, was one of the largest on record. Shipments

of feeder cattle continued to be large in April and on May 1 the number of cattle on feed in this area was much larger than one year earlier.

The number of chickens raised on farms in the United States during 1940 totalled about 608 million, 13% smaller than in 1939 and 8% below the 10-year average. In only two years (1934 and 1937) since 1925 has the number of chickens produced been smaller than in 1940. In spite of the unusually small number of chickens raised during 1940, egg production was the highest since 1930. About 39 billion eggs were produced on farms in 1940, 2% more than in 1939, and 7% more than the 10-year average. This large egg production was in the main the result of two factors: (1) 1939 chicken production was large and consequently there was a large number of laying hens on farms on January 1, 1940 and (2) the number of eggs produced per hen continued to be at a high level.

Reflecting the improvement in industrial conditions, the increase in sales of eggs kept pace with the increased egg production and was about 3% larger than in 1939 and about 7% above average. As a result, cold storage holdings of eggs on January 1, 1941 were normal and in about the same volume as one year earlier. As a result of the large number of chickens produced in 1939, however, the increase in the supply of chickens for consumption during 1940 was greater than the increased consumer demand and as a result the stocks of frozen chickens on January 1, 1941 were 20% above one year earlier and about 15% larger than usual.

Prices received by farmers for chickens and eggs were unusually low during 1939 and 1940. Farmers received on the average 52 cents per head in 1939 and about 53 cents in 1940. This compares with 76 cents in 1938 and a 10-year average of 67 cents. Eggs averaged 17 cents per dozen in 1939 and 18 cents in 1940 compared to about 21 cents for the 10-year average.

Exports of eggs during recent years have been at nominal levels and poultry exports have never been in sufficient volume to be important. Nevertheless, exports of these products have been increasing in recent months. In addition to about 189 thousand pounds of egg products (dried, frozen etc.) being exported in 1940, exports of eggs in the shell totalled about 55 million, nearly double the volume of any other recent year. This compares with about 260 million exported in 1919 and the 5-year 1925-29 average of 223 million. During the first quarter of 1941, exports of eggs in the shell were about 14% larger, and egg products (dried, frozen, etc.) exports were more than double the corresponding period of 1940. Poultry exports were also substantially larger than a year earlier.

Efforts are now being made by the Government through the Department of Agriculture to stimulate the production of chickens and eggs during the next two years, in order to provide for export requirements under the provisions of the lend-lease program, while maintaining about normal levels of consumption in the United States. It is hoped that by supporting the price of eggs, stimulation will be given to the production of both eggs and chickens. The Government will support the egg market to such an extent that the Chicago wholesale price from now until June 30, 1943 will average about 22 cents per dozen.

During the first four months of 1941, total egg production was 5 per cent larger than in the corresponding period of 1940. The increase in the average number of eggs produced per layer having more than offset the somewhat smaller number of layers on farms than one year earlier. Consumption and exports during this period, however, have kept up with production and the volume of eggs in cold storage on May 1 was only slightly larger than one year earlier and was about equal to the 5-year median. Prices advanced during April instead of declining seasonally and were about 5 cents a dozen higher than one year earlier.

During the first four months of 1941, chickens in cold storage declined seasonally but remained well above one year earlier on May 1 and about one-third larger than usual for that date. The number of chicks hatched during the first quarter of 1941 was much larger than in 1940 and, according to the Agricultural Marketing Service, production of commercially hatched chicks during April appeared to be slightly above record proportions. Chicken prices advanced in April to a level about 3 cents per pound higher than one year earlier.

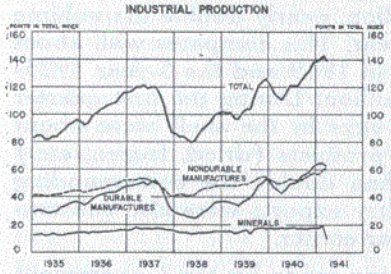
CHICKEN AND EGG STATISTICS FOR THE UNITED STATES

(Compiled by the U. S. Dept. of Agriculture)

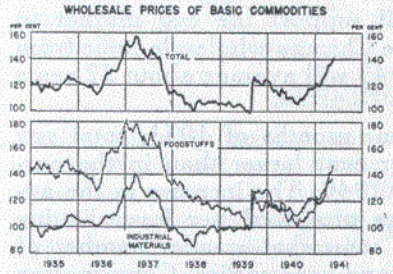
	No. of chickens produced (Mns)	Hens & pullets on farms Jan. 1 (Mns)	Eggs produced per layer per year	Number of Eggs produced (Billion)	Exports: Eggs in the shell (Mns)	Exports: Egg prod. (dried frozen, etc.) (Thous. lbs.)	May 1 cold storage stocks: Eggs (Thous. cases)	May 1 cold storage stocks: Chickens (Mn. lbs.)	Prices received by farmers: Eggs (Cents per doz.)	Prices received by farmers: Chickens (Cents per head)
1925-29 Avg.	663.3	406.0	93	37.4	260.0	463.7	5,662	...	28.5	80.9
1930	714.4	420.5	93	39.1	223.2	196.4	7,956	...	23.7	68.1
1935	632.4	350.4	95	33.3	21.6	99.3	5,596	36.6	23.4	56.6
1936	703.1	360.7	94	34.0	25.2	84.7	5,015	27.1	21.8	60.4
1937	583.9	376.5	100	37.6	28.8	216.6	6,925	51.8	21.3	63.5
1938	645.0	351.0	106	37.0	25.2	....§	6,616	33.2	20.3	59.0
1939	696.9	370.8	103	38.2	32.4	....§	5,896	38.8	17.4	52.2
1940	607.8	384.3	101	38.9	55.2	189.1	5,611	30.0	17.9	53.4
1941	110%‡‡	373.3	108%**	105%**	114%*	248%*	5,876	46.4	131%†	122%†

‡‡Preliminary estimate of U. S. Dept. of Agriculture—percent 1941 chickens raised of 1940. **Percent 1st four months 1941 of corresponding period of 1940. *Percent 1st quarter 1941 of corresponding period of 1940. †Percent April 1941 price of corresponding price one year earlier.

§Not in sufficient volume to be reported separately.

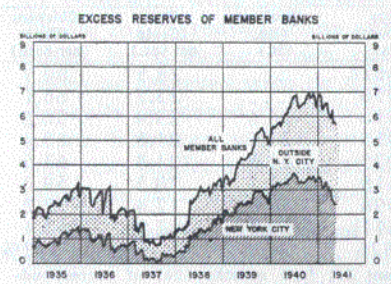


Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to April 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to May 8, 1941.

Wednesday figures, January 2, 1935 to May 14, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans," as then reported.



Wednesday figures partly estimated, January 2, 1935 to May 14, 1941.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 19, 1941

Wholesale commodity prices advanced sharply in April and the first half of May, with the exception principally of metals for which maximum prices had been established. Industrial production declined in April, owing to reduced output of coal and automobiles, but increased rapidly in the first half of May as operations in these industries were resumed.

PRODUCTION: In April the Board's seasonally adjusted index of industrial production declined to 139 per cent of the 1935-1939 average, a drop of 4 points from March. The decline reflected chiefly a sharp reduction in output of bituminous coal, as most mines were closed during the entire month. The mines were reopened on April 30 and in the first half of May coal output increased rapidly.

Automobile production also declined in April, owing to stoppage of work at plants of the Ford Motor Company during an industrial dispute. This was settled about the middle of the month and domestic output has since advanced to a high monthly rate of over 500,000 cars and trucks. Announcement by the Office of Production Management that output in the twelve months ended July 31 would approximate 5,290,000 units indicates that a rate close to that now prevailing should be maintained through July, although there is usually a considerable decline in this period.

Steel production was curtailed somewhat in the latter half of April by shortages of coal and coke and output declined from a level of 100 per cent of capacity to 94 per cent at the month end. Subsequently output increased, reaching 99 per cent by the middle of May.

In most other lines activity continued to increase during April and the first half of May. Machinery production rose further and activity in the aircraft and shipbuilding industries continued to expand rapidly. Consumption of nonferrous metals also advanced, and, as in March, domestic sources of copper were supplemented by large supplies from Latin America. Textile production rose further from the high rate prevailing in March. Consumption of raw cotton in April amounted to 920,000 bales, a new record level, and rayon deliveries also rose to a new peak. At wool textile mills activity was maintained near the high March rate. Continued advances were reported in the chemical, paper and food industries.

Anthracite production declined considerably in April, owing to a delay by dealers in placing usual spring orders, but increased in the first half of May. Output of crude petroleum showed little change from the March rate, following some increase from the reduced level of the winter months. Iron ore shipments in April amounted to about 7,000,000 tons, an exceptionally large amount for this time of year, and mine output of nonferrous metals continued at near capacity rates.

Value of construction contract awards in April declined somewhat from the high March total, owing principally to a smaller volume of defense plant contracts, according to F. W. Dodge Corporation reports. There was an increase in contracts for publicly financed defense housing, and awards for private residential building rose by about the usual seasonal amount.

DISTRIBUTION: Sales of general merchandise at department and variety stores showed about the usual seasonal rise from March to April, making allowance for the changing date of Easter. Retail sales of new automobiles, which had amounted to 526,000 cars and trucks in March, rose further in April and sales of used cars were at peak levels.

Freight-car loadings declined sharply in April, reflecting a reduction in shipments of coal and coke, but increased in the first half of May when coal mines were reopened. By the middle of the month total loadings had risen to a weekly rate one-fourth higher than in the corresponding period last year and about the same as the seasonal peak reached in the autumn of 1940.

COMMODITY PRICES: Prices of most basic commodities, both domestic and imported, advanced sharply further in the first half of May following a short period of little change during the latter part of April. Price increases were most pronounced for agricultural commodities reflecting in part the prospect of legislation raising Federal loan rates for basic farm crops. Prices of a number of semimanufactured industrial products, including petroleum products, coke, leather, textile yarns and fabrics, and building materials, also advanced. Metal prices, now for the most part subject to Federal control, remained at the maximum levels established earlier.

BANK CREDIT: Bank loans and investments have shown a marked rise since last summer, the increase at reporting banks in 101 leading cities amounting to $4 billion. In April and early May holdings of investments by these banks increased considerably, mostly at New York City banks, reflecting substantial purchases of newly issued Reconstruction Finance Corporation notes. Increases in commercial loans in this period were somewhat smaller than during the preceding two months.

Excess reserves of member banks were $5.7 billion on May 14. Since January they have declined by about $1.1 billion, owing largely to increases in Treasury deposits with the Reserve Banks and in currency in circulation. The decrease has occurred entirely at New York City banks.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States Government securities, which had risen sharply from April 9 to April 21, subsequently declined irregularly through May 15. On that date the 1960-65 bonds were ¾ of a point lower than on April 21 and about 1¼ points below the all-time peak reached on December 10, 1940. The yield on this issue is currently about 2.09 per cent, compared with 2.03 per cent on December 10.