# MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

**Vol. 7** ( Serial No. 323 ) **Federal Reserve Bank, Minneapolis, Minn.** **November 28, 1941**

**Business volume during October showed mixed trends when compared to September but was greater than in October last year. Retail sales showed small increases over 1940. Deposits at both country and city member banks expanded to record levels. Farm prices declined but farmers' cash income from the sale of livestock and livestock products was 45 per cent over October 1940.**

## BUSINESS

**Northwest business volume** during October as measured by our seasonally adjusted indexes showed mixed trends when compared to September but was well above a year ago with a number of the indexes reaching the highest October levels on record. Bank debit volume at farming centers again increased to move the index to 148, the highest point in our 14-year record. The index of bank debits at 94 cities also advanced 5 points to 137, the highest level since 1929. The indexes of retail sales of both country and city stores declined for the second consecutive month but were still well above October a year ago. Inventories at city department stores continued to expand during October as was indicated by a 6 point advance in the index to 132 which compared to 106 in October 1940. The indexes of country lumber sales, and of freight carloadings all showed decreases from September and were only slightly changed from a year ago. The Minnesota farm price index and Minnesota employment were also below September.

### Northwest Business Indexes

**Adjusted for Seasonal Variation—1935-39 = 100**

| | Oct. 1941 | Sept. 1941 | Oct. 1940 | Oct. 1939 |
|---|---|---|---|---|
| Bank Debits—94 cities | 137 | 132 | 108 | 107 |
| Bank Debits—farming centers | 148 | 144 | 123 | 114 |
| Country check clearings | 145 | 141 | 117 | 109 |
| City department store sales | 117 | 124 | 106 | 107 |
| City department store stocks | 132 | 126 | 106 | 106 |
| Country department store sales | 115 | 126 | 105 | 105 |
| Country lumber sales | 129 | 143 | 136 | 120 |
| Miscellaneous carloadings | 123 | 126 | 111 | 105 |
| Total carloadings (excl. miscellaneous) | 129 | 130 | 129 | 125 |
| Employment—Minn. (Unadj. 1936=100) | 125 | 126 | 113 | 108 |
| Farm Prices—Minn. (1924-26=100) | 86 | 92 | 63 | 68 |

**Construction contracts awarded** in the district were again less than in the preceding month and were 28 per cent less than in October a year ago, according to the F. W. Dodge Corporation. Total contracts during October amounted to $7.9 million compared to $11.0 million a year ago and $8.2 million in September this year. The decrease was again due to a smaller volume of public works and public utilities construction since building contracts were slightly greater than a year ago. However, for the first 10 months in 1941, the dollar volume of construction was 20 per cent greater than in the corresponding period of 1940.

**The value of building permits** issued in 85 cities and suburbs in the district, following a slight decline in September, increased during October and was 10 per cent greater than in October last year. The increases over a year ago were quite general over the district except in Montana and South Dakota where decreases occurred. Cities in Northwestern Wisconsin showed an 87 per cent increase over last year while reports from North Dakota indicated a 50 per cent increase over October 1940. During the first ten months of 1941, the value of permits in the district was 9 per cent greater than in the same months of 1940.

### Sales at Department Stores

| | Number of Stores Showing Increase | Number of Stores Showing Decrease | % Oct. 1941 of Oct. 1940 | Cumulative % 1941 of 1940 |
|---|---|---|---|---|
| Total District | 222 | 49 | 109 | 111 |
| Mpls., St. Paul, Dul.-Sup. | 17 | 6 | 110 | 112 |
| Country Stores | 205 | 43 | 109 | 110 |
| Minnesota | 65 | 10 | 111 | 110 |
| Central | 8 | 2 | 110 | 109 |
| Northeastern | 7 | 1 | 111 | 110 |
| Red River Valley | 5 | 1 | 108 | 110 |
| South Central | 20 | 0 | 118 | 110 |
| Southeastern | 11 | 1 | 110 | 109 |
| Southwestern | 14 | 5 | 107 | 109 |
| Montana | 27 | 17 | 100 | 107 |
| Mountains | 8 | 5 | 97 | 107 |
| Plains | 19 | 12 | 101 | 107 |
| North Dakota | 42 | 5 | 107 | 110 |
| North Central | 6 | 1 | 107 | 110 |
| Northwestern | 6 | 1 | 106 | 118 |
| Red River Valley | 20 | 0 | 108 | 107 |
| Southeastern | 10 | 2 | 106 | 110 |
| Red Riv. V.-Minn.-N. D. | 25 | 1 | 108 | 108 |
| South Dakota | 24 | 4 | 109 | 114 |
| Southeastern | 6 | 2 | 110 | 116 |
| Other Eastern | 10 | 2 | 108 | 114 |
| Western | 8 | 0 | 117 | 105 |
| Northern Wis. & Mich. | 47 | 7 | 118 | 112 |
| Northern Wisconsin | 15 | 2 | 122 | 110 |
| West Central Wis. | 27 | 1 | 121 | 114 |
| Up. Peninsula Mich. | 5 | 4 | 102 | 107 |

**City department store sales** volume during October was larger than in October 1940, but the increase was much less than had occurred in August and September compared to those same months in 1940. The 8 per cent October increase over last year compared to 22 per cent in September and 17 per cent in August. The Bureau of Census

reports a similar trend in retail sales volume based on data from 17,064 stores in 34 states. Since retail prices of goods have advanced during the past year, it is quite likely the amount of goods sold was no greater than in October 1940.

The dollar volume of stocks at city department stores was 25 per cent greater than in October last year.

**Country department store sales** showed a 10 per cent increase over October last year which was also a smaller increase over a year ago than had occurred in either September or August. The increases over a year ago were quite general over the entire district with the largest increase of 28 per cent occurring in Northwestern Wisconsin.

**The volume of manufacturing production** in the district during October showed mixed trends when compared to September as measured by the following indicators. Slaughterings of all livestock increased seasonally over September and except for hog and sheep slaughterings were also larger than in October a year ago. Linseed oil and oil cake shipments were below September but continued well above the 1940 level. Flour shipments showed little change from September while flour production was 7 per cent above last month and 15 per cent greater than in October last year.

Production of electric energy in the four complete states in the district was greater than in September and was 10 per cent above October last year. According to the Minnesota Division of Employment and Security, employment in manufacturing industries in Minnesota dropped 3.7 per cent from September while payrolls declined .8 per cent. "Close of the season in certain lines such as cement products and canning, shortage of materials and lack of work in certain lines accounted for the drop in employment."

**Shipments of iron ore** from upper lake ports continued in large volume during October and total shipments as of October 31 have already established a record tonnage for any one season. With probably more than a month of open shipping weather still to go, the shipments on October 31 totaled approximately 72 million tons which was 7 million tons above the previous record year of 1929. Shipments for the year to date were 23 per cent above the same period in 1940. Stocks of ore at lower lake docks and ports amounted to approximately 44 million tons and based on present rates of consumption this is enough to keep furnaces in operation for slightly over six months.

Mining of copper, gold and silver in the district during October showed increases over September but was below October of 1940, with the exception of gold output which was somewhat greater.

**Other business indicators** that were as high or higher than in October a year ago included net telephone installations in the Twin City area, and carloadings of grain and grain products, livestock, coal, forest products, ore and miscellaneous freight. Net telephone installations in rural areas of Minnesota were less than in October last year while new car sales in the four complete states of the district were 49 per cent below October 1940. Life insurance sales also showed a slight decline from a year ago.

## BANKING

**City member bank deposits** increased $3 million during the four-week period ended November 12 to establish a new all-time high of $734 million. Balances due to other banks decreased approximately $8 million and may reflect a shift in reserve balances of correspondent banks to meet the increased reserve requirements of member banks effective November 1. Paralleling the increase in deposits was a further expansion in bank loans to customers which increased $10 million during the same four-week period. Holdings of United States government bonds increased somewhat but holdings of treasury bills and notes decreased by about the same amount so that total investments showed little change from a month ago.

**Country member bank deposits** also increased sharply and averaged $589 million during the last half of October, a new all-time high. This was an increase of $12 million over a month earlier and was $53 million greater than in October 1940. Practically all of the increase in deposits over last month and over a year ago was due to a greater volume of demand deposits since time deposits have shown no appreciable change. Earning assets of country member banks have steadily increased during 1941 and were about $40 million larger than in October last year.

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

| | Member Bank Reserve Deposits | Required Reserves | Excess Reserves |
|---|---|---|---|
| | Thousands of Dollars | | |
| Country Banks | $ 63,894 | $ 38,042 | $ 25,852 |
| City Banks | 104,198 | 79,352 | 24,846 |
| Ninth District (1941) | $168,092 | $117,394 | $ 50,698 |
| Ninth District (1940) | $168,928 | $102,048 | $ 66,880 |

**The sale of Series E Defense Savings Bonds** by issuing agents other than post offices in the Ninth Federal Reserve District for the period, May through November 15, totaled $12,765 thousand. The distribution by months is shown in the following table.

| | Amount (Thousands of Dollars) (Sale Price) | No. of Bonds |
|---|---|---|
| May | $ 1,641 | 12,059 |
| June | 1,456 | 11,462 |
| July | 2,261 | 17,096 |
| August | 1,902 | 16,103 |
| September | 2,072 | 18,306 |
| October | 2,687 | 24,371 |
| November 1-15 | 746 | 7,272 |
| TOTAL | $12,765 | 106,669 |

Voluntary payroll allotment plans instituted by many firms have contributed to the increase in defense bond sales since August. In the Twin City area, as of November 15, 1941, deductions from wages authorized by employees for the purchase of defense bonds are being made for 16,157 employees at the rate of $149,710 per month.

Through October the sales of all types of defense bonds in the entire United States amounted to $1,775 million, while the sales of tax anticipation notes amounted to $1,818 million, most of which are Series B designed for large taxpayers. Purchases by taxpayers whose principal amount of tax will not exceed $1200 have amounted to $33 million.

## AGRICULTURE

**Farmers' cash income** in the district continued well above a year ago. According to the United States Department of Agriculture most of the increase was due to larger returns from the sale of livestock and livestock products.

We estimate that farmers' cash income from the sale of cattle and calves, hogs, sheep and lambs, eggs and dairy products during October was 45 per cent above October last year. The substantially higher prices for hogs have increased returns 36 per cent over a year ago, while cash income from the sale of cattle and calves was 79 per cent greater than in October 1940. Cash income from dairy products was approximately 43 per cent greater than a year ago.

**Both livestock and grain prices** showed slight declines from the high levels reached in September but all prices were still well above October 1940. Most grain prices declined 2 to 5 cents per bushel while flax dropped from $2.00 to $1.86. Cattle and veal prices were 25 to 50 cents less than a month ago while the median hog price declined $1.45 to $10.20 as compared to $5.90 in October last year. The price of butter declined 1 cent to 34 cents and milk dropped 3 cents to $2.31 but both were at the highest November level since 1929.

**Receipts of cattle** at South St. Paul during October increased seasonally and were 27 per cent greater than in October a year ago. Receipts of cattle for 10 months were 9 per cent larger than in the same period in 1940, while calf receipts were slightly less than a year ago.

Hog receipts and sheep receipts also increased seasonally but were 20 and 26 per cent respectively below October of last year.

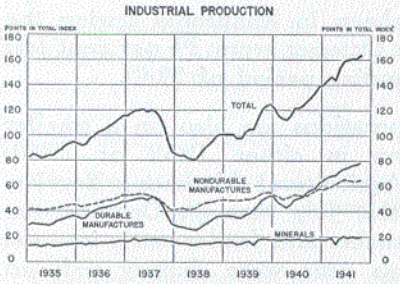
**Lamb feeding** in the Corn Belt states is in a smaller volume this year than last, but increases in the Western Plains states are expected to maintain lamb feeding operations in the United States at about the same level as a year ago. Receipts of feeder lambs and sheep in Minnesota during the period July through October were 29 per cent less than in the corresponding period of 1940.

**Cattle feeding operations** are also on a smaller scale this year than in either 1939 or 1940. According to the Agricultural Marketing Service, "For the four months, July through October, the total shipments of stocker and feeder cattle into the Corn Belt states this year were sharply reduced from both 1940 and 1939. Shipments inspected at stock yard markets were down about 23 per cent from 1940 and 17 per cent from 1939 and were below the 1936-40 average for the period. The reduction in direct in-shipments for the period was equally as large."

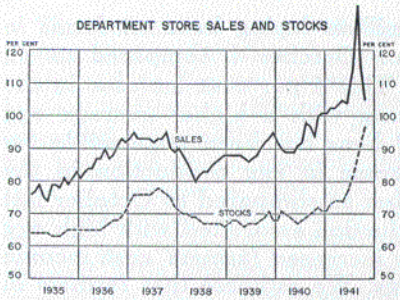
**There were 26 million laying hens** on farms in the Ninth District on October 1 compared to 25 million a year ago. This 4 per cent increase in the number of hens along with a higher average egg production per 100 hens has been responsible for the 5 per cent increase in egg production in the district during October as compared to October last year. This high production associated with high egg prices has materially increased farmers' cash income from the sale of eggs. We estimate that farmers in the Ninth Federal Reserve District for the period January-October 1941 have received approximately $43.5 million from the sale of eggs which represents a 49 per cent increase over the corresponding period in 1940.

**Dry milk production** during September exceeded the output in the corresponding month a year ago for the first time since May. In spite of higher dry milk prices and the Government's efforts to expand output, the cumulative production for nine months this year was about the same as in that period a year ago. Dry skim milk represents the bulk of the production and the average price to manufacturers was 10.26 cents per pound in September which compared to 6.42 cents a year ago. Dry whole milk prices range from 20 to 25 cents per pound.

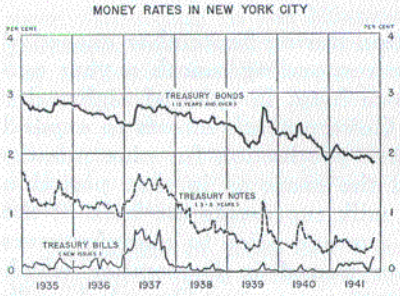
**Cold storage stocks** of most perishable products showed decreases during the month of October, but were larger than on November 1, 1940. Stocks of beef increased slightly while pork in storage was reduced by 57 million pounds but both were well above a year ago. Butter in storage decreased 17 million pounds to 186 million which compared to 105 million a year ago. Lard holdings were again reduced and were 12 per cent below a year ago but were about three times the five-year median holdings for November 1. Storage holdings of all classes of poultry, except turkeys, were larger than a year ago. On November 1 there were 8 million pounds of turkey in storage which was 4 million less than on that date last year. Storage holdings of eggs on November 1 were 27 per cent larger than the five-year median holdings for that date.




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 October 1941.




Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to October 1941.




Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ended January 5, 1935 to November 15, 1941.

Wednesday figures, January 2, 1935 to November 19, 1941. Required and excess reserves, but not the total, are partly estimated.

# National Summary of Business Conditions

## COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 21, 1941

**Industrial activity continued to increase in October and the first half of November and there was some further advance in prices of industrial materials and finished products. Distribution of commodities to consumers declined in this period following an unusually large volume of trade in the preceding three months.**

**PRODUCTION:** Volume of industrial production increased further in October and the Board's seasonally adjusted index advanced from 161 to 164 per cent of the 1935-39 average. Increases in activity occurred mainly in industries producing machinery, armament, and other durable manufactures required under the defense program. In the meat-packing industry activity also advanced considerably and output of other manufactured food products, which has been unusually large in recent months, declined less than seasonally.

Automobile production increased during October and in the first half of November was sustained at about the rate reached at the beginning of the month. Production in October approximated the quota permitted for the month, whereas in August and September output had been considerably below the quotas set, owing in part to delays incident to the changeover to new model production and to difficulties in obtaining certain materials. Since the beginning of the model year production has been substantially in excess of retail sales and dealers' stocks have risen sharply. Output of cars and trucks in October was about one-fourth smaller than in October last year; in the industry as a whole, however, activity, as measured by man-hours worked, was about the same as a year ago, apparently reflecting a shift to armament production.

In most other manufacturing industries output in October was maintained at or near the rates prevailing in other recent months. At cotton mills activity increased, following some reduction in the previous month, while at wool mills there was a slight decline from the peak reached in September. Steel production rose to an average rate of about 99 per cent of capacity during October but declined slightly in the first half of November.

Coal production declined somewhat in October and early November, while output of crude petroleum increased further to new record levels. Iron ore shipments down the Lakes were maintained at a high rate and through the end of October amounted to 71,600,000 gross tons, a larger volume than had previously been transported in any complete shipping season.

Value of construction contract awards decreased slightly in October, according to figures of the F. W. Dodge Corporation. Declines in awards for publicly-financed work were partly offset in the total by an increase in privately-financed projects. Awards for residential building showed little change, although an increase is customary in this month. Contract awards in October continued in larger volume than a year ago. Total awards were 60 per cent larger, reflecting increases of 13 per cent in private construction and of 112 per cent in public work.

**DISTRIBUTION:** Distribution of commodities to consumers declined in October following an unusually large volume of trade in the preceding three months. During the third quarter sales had been stimulated considerably by several factors, notably apprehension that there might be shortages and higher prices of many consumers' goods later on, as well as desire to avoid stricter instalment credit terms, effective September 1, and higher taxes on many products effective October 1.

Railroad freight-car loadings declined somewhat from September to October, owing principally to decreased shipments of grain products and coal. Shipments of livestock increased and ore loadings showed less than the usual seasonal decline.

**COMMODITY PRICES:** Prices of agricultural commodities, which had declined from the early part of September to the middle of October, have advanced somewhat since that time and prices of industrial commodities have increased further. Recent advances for industrial raw materials and finished products have been more restricted than in earlier periods, reflecting partly an extension of Federal maximum price action particularly to petroleum products and to selected metal, chemical, and textile products.

Prices in retail markets have continued to advance sharply. In September the cost of living, as measured by the Bureau of Labor Statistics' index, increased 2 points to 108 per cent of the 1935-39 average and was 7 per cent above the level of last March. Since September retail food prices, which usually decline at this season, have increased further and preliminary data indicate that retail prices of other commodities have continued to rise.

**BANK CREDIT:** Total loans and investments at reporting member banks rose further during October and the first two weeks in November. Holdings of United States Government securities increased and commercial loans continued to advance.

Excess reserves of member banks declined from 4.7 billion dollars to 3.5 billion on November 1, reflecting the increase in reserve requirements previously announced by the Board to be effective on that date.

**UNITED STATES GOVERNMENT SECURITY MARKET:** Long-term Treasury bonds declined slightly in price during the early part of November, following a relatively sharp increase after the middle of September to a record high level around November 1. Yields on short-term issues have firmed since early in September, the yield on Treasury notes of December 1945 advancing from 0.62 per cent on September 15 to 0.83 on November 15, and the bill rate rising to 0.258 per cent.