MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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Business volume for November exceeded October and reached an all-time high for the month. Deposits at both city and country member banks continued to expand to new record levels. Department store sales again increased. Farmers' cash income from important livestock and livestock products was 42 per cent over November 1940.

BUSINESS

Business volume in the Ninth District during November as measured by our seasonally adjusted indexes, was larger than in October and was substantially above November 1940. Most of the indexes were at the highest November levels on record. The indexes of country check clearings and of bank debits at farming centers advanced further again to establish all-time highs. The index of bank debits at 94 cities advanced to 143, the highest November since 1924 and the highest for any month since September 1929 when the index reached 145. Following a decline during September and October, the seasonally adjusted indexes of sales at both city and country department stores resumed their upward trends. The index of miscellaneous carloadings established a new all-time high of 149 and was 28 points over November a year ago. The total carloadings index was only slightly below November 1929. The Minnesota farm price index advanced to 92, compared to 68 a year ago. The Minnesota employment index declined one point from the high level reached last month.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Nov. 1941	Oct. 1941	Nov. 1940	Nov. 1939
Bank Debits—94 cities	143	137	116	107
Bank Debits—farming centers	151	148	126	108
Country check clearings	151	145	120	107
City department store sales	123	117	117	105
City department store stocks	132	132	104	109
Country department store sales	128	115	120	102
Miscellaneous carloadings	149	123	121	109
Total carloadings (excl. miscellaneous)	153	129	125	123
Employment—Minn. (Unadj. 1936=100)	124	125	113	108
Farm Prices—Minn. (1924-26=100)	92	86	68	67

The F. W. Dodge Corporation reports that construction contracts awarded in the district during November amounted to $23.8 million as compared to $6.8 million in the same month last year. The award for a Government munitions plant was largely responsible for the unusual increase although residential building, public works and utilities contracts were also greater than a year ago. Residential building for 11 months in 1941 was 16 per cent greater than in the corresponding period of 1940.

Building permits issued during November in 85 cities and suburbs in the district were five per cent less than in November last year. The value of permits reported for Montana cities was larger than a year ago while all other states showed decreases. Minneapolis showed five per cent increase when compared to a year ago while Minneapolis suburbs were 31 per cent below November, 1940.

Retail sales at country and at city department stores showed dollar volume increases of six and five per cent respectively over November 1940. Although a few sections showed declines of from one to four per cent from a year ago, the increases were quite general for all the states in the district.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Nov. 1941 of Nov. 1940	Cumulative % 1941 of 1940
Total District	181	103	105	110
Mpls., St. Paul, Dul.-Sup.	14	8	105	111
Country Stores	167	95	106	110
Minnesota	46	36	105	109
Central	4	6	98	107
Northeastern	7	2	105	110
Red River Valley	5	1	104	109
South Central	11	12	107	110
Southeastern	9	5	103	109
Southwestern	10	10	108	108
Montana	18	24	99	106
Mountains	4	8	96	107
Plains	14	16	100	106
North Dakota	39	10	110	110
North Central	7	2	116	112
Northwestern	6	1	113	117
Red River Valley	15	5	109	107
Southeastern	11	1	108	110
Red Riv. V.-Minn.-N. D.	20	6	108	108
South Dakota	19	11	107	113
Southeastern	8	1	109	115
Other Eastern	6	6	103	113
Western	5	4	110	107
Northern Wis. & Mich.	45	14	110	112
Northern Wisconsin	13	6	107	110
West Central Wis.	25	4	113	114
Up. Peninsula Mich.	7	4	101	108

Inventories at city department stores during November continued to be unusually large and were 27 per cent greater than in November 1940. However, since inventories are measured in dollar volume, the higher price level this year than last indicates that the increase in physical units was less than 27 per cent. Slower deliveries of goods this year than last encouraged some retailers to acquire stocks earlier than usual in order to assure ample supplies of goods for the busy holiday season. This was partly responsible for the large dollar volume of stocks on hand at city department stores during October and November.

Iron ore shipping from upper lake ports was concluded December 8, after establishing an all-time high of 80 million tons. This exceeded the 1940 shipments by 16 million tons and was 15 million tons above the previous record established in 1929. Approximately 63 million tons were removed from Minnesota mines while most of the remainder came from mines in northern Michigan and from Wisconsin.

According to Skillings' Mining Review, loading docks and railroads are being prepared for another big season of 80 million tons or more in 1942. Copper and gold production in the district was slightly greater than a year ago while silver production was less than in November last year.

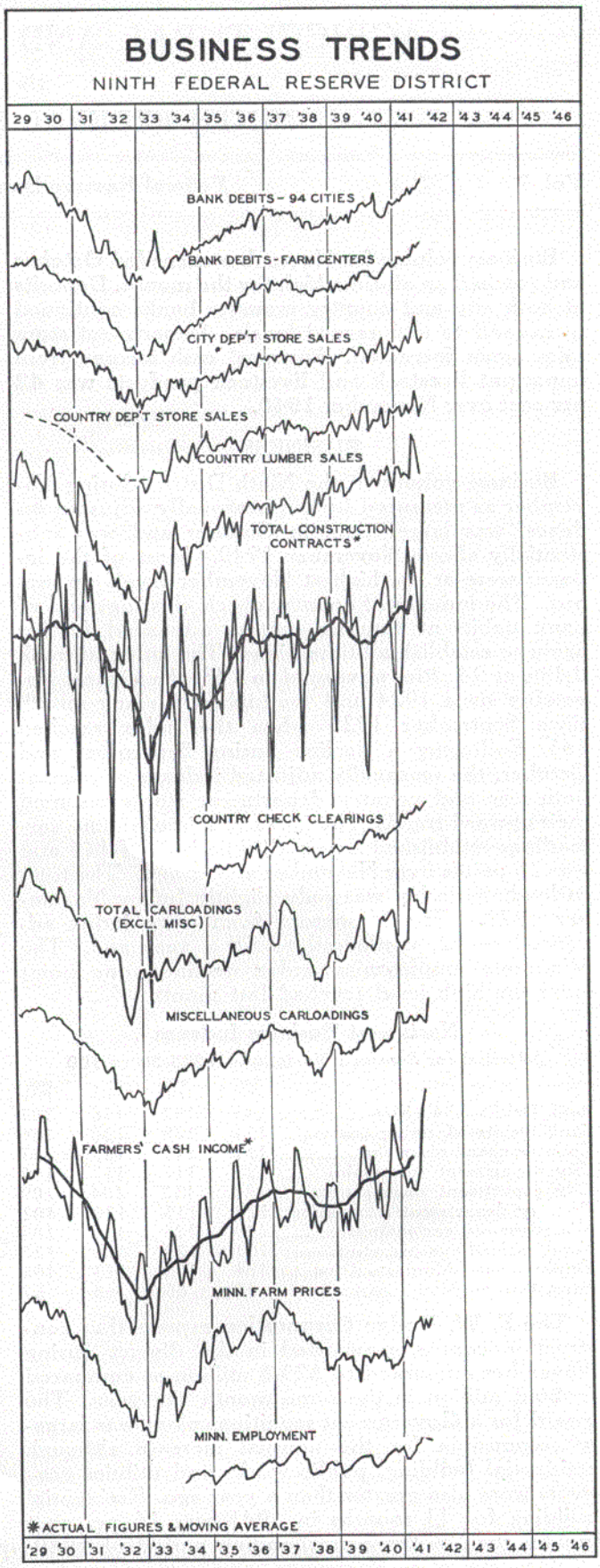
Manufacturing production in the district during November as measured by the following indicators, again showed mixed trends when compared to a month ago and when compared to November last year. Cattle slaughterings declined seasonally from October but were considerably larger than a year ago. Although hog slaughterings were larger than last month, they were below November 1940. Linseed oil, oil cake and flour shipments all declined from October to November as usual although linseed product shipments were 10 per cent above last year. Flour production declined from October but was slightly larger than in November a year ago. The cut of lumber was smaller than last month and also less than in November 1940. The Minnesota Division of Employment and Security reports that Manufacturing employment in Minnesota during November was 122 per cent of the 1936 average as compared to 123 in October and 114 in November, 1940. Production of electric energy was 1 per cent below October but was 19 per cent greater than in November a year ago.

Other business indicators showing declines from October included net telephone installations in the Minnesota area, life insurance sales and new car sales. Total carloadings declined seasonally from October but were larger than a year ago due principally to larger ore shipments and "less than carload lots" of freight. Business failures were below last month and a year ago both in number and amount.

BANKING

Country member bank deposits increased further from the record level reached in October and averaged $604 million during the last half of November. This was an increase of $54 million over November 1940. Even though reserve requirements were increased November 1, 1941, and even though deposits have increased and therefore necessitate larger required reserves, the amount of excess reserves of country member banks averaged $23.7 million during November, only $1.7 million less than a year ago. Country member bank reserve balances with us during the last half of November averaged $71 million compared to $60 million for the same period in 1940.

City member bank loans increased $9 million during the four-week period ended December 17,



1941 to $272 million which was only slightly below the record volume of loans in 1929. This was almost double the volume of loans outstanding in September 1939 and was $60 million more than was outstanding December 18, 1940. Investments were up $9 million over a month ago and were $34 million over December last year. The increase over last year was due principally to a $25 million increase in United States government bonds. These banks held $10 million of United States Treasury bills compared to less than a half million a year ago.

Total deposits at city member banks again increased to a new high and totaled $720 million on December 17, 1941—an increase of $5 million for the four weeks and $61 million over a year ago. Excess reserves of city banks were $14 million on December 17, 1941 compared to $48 million on December 18, 1940.

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

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
	Thousands of Dollars		
Country Banks	$ 70,679	$ 47,162	$ 23,517
City Banks	115,890	94,454	21,436
Ninth District (1941)	$186,569	$141,616	$ 44,953
Ninth District (1940)	$173,575	$104,898	$ 68,677

AGRICULTURE

Farmers' cash income during November was again substantially above the corresponding month a year ago. Due both to higher prices and to a slightly larger volume of marketings, cash income from the sale of important livestock and livestock products was estimated to be 42 per cent above November 1940. Dairy production was increased over a year ago and cash income from this source was 27 per cent greater than in November last year. Higher prices and heavier average weights were responsible for a 45 per cent increase in cash income from the sale of hogs since the number marketed was slightly less than a year ago. Although egg production during November is usually at the lowest level for the year, the increase in production over 1940 associated with substantially higher egg prices, almost doubled the cash income from this source over that received in November 1940.

Wheat loans advanced to farmers in Minnesota, Montana, North and South Dakota on approximately 111 million bushels of 1941 wheat amounted to approximately $106 million as of December 13, 1941.

Agricultural product prices during November were not materially changed from the high October levels but were well above prices of a year ago. Most grain prices registered gains of from one to four cents per bushel except for barley which advanced from 65 to 75 cents. Most cattle prices were unchanged, while hogs declined 30 cents per hundredweight to $9.90. Butter and milk prices also showed slight declines from October levels.

Cattle receipts declined seasonally from October but were 18 per cent larger than in November a year ago. Receipts for 11 months were 10 per cent above the same months in 1940. The Department of Agriculture reports "that a large part of this increase has been in supplies of grain-fed cattle." Calf and sheep receipts were slightly larger than a year ago, both for the month and for the year to date. Hog receipts increased seasonally but continued to be less than receipts a year ago.

Shipments of feeder cattle from the South St. Paul market during November were 39 per cent larger than in November 1940. However, this increase offsets only a small part of the decrease during the preceding four months to indicate a considerable reduction in winter cattle feeding in the Corn Belt. The Agricultural Marketing Service states that "the recent sharp advance in price of fat cattle is expected to improve the demand for stocker and feeder cattle and as a result there may be a rather heavy movement of short fed or 'warmed up' cattle from markets back to Corn Belt feed lots."

Dry skim milk production in the United States during October was again lower than a year earlier. The Department of Agriculture reports that "large purchases of dry skim milk by the department continued to modify the character of both production and dry milk sales. Approximately 90 per cent of the total October sales covered dry skim milk for human food, leaving only 10 per cent for animal feed. In October last year, the proportions were 75 per cent and 25 per cent, respectively."

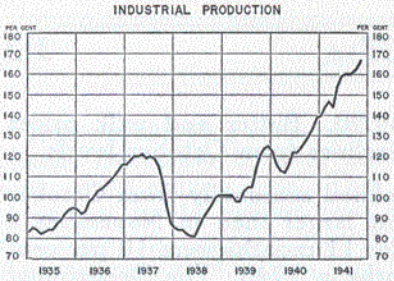
The rate of egg production shown by sample flocks on December 1, was well above December 1 last year, according to the Agricultural Marketing Service. Egg production in the district during November was 17 per cent greater than in November a year ago. Egg drying plants in the United States during October utilized 500,000 cases of eggs to produce approximately five million pounds of dried eggs. This compared to 24 thousand pounds in October 1940.

Cold storage stocks of butter and cheese declined slightly from November 1, but were still 72 and 64 per cent, respectively, above December 1, 1940. Eggs in storage also decreased but were 27 per cent above the five-year median holdings for December 1. Poultry in storage on December 1 had increased sharply to 172 million pounds which was more than double the five-year median holdings for that date. Stocks of beef, pork, lamb and mutton were all well above the usual holdings for December 1. Lard in storage was below December 1 of last year but supplies are still unusually large.

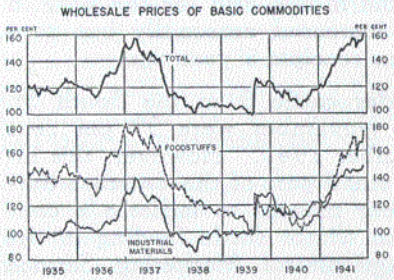
Government purchases of pork and lard under the food-for-defense program were increased during October and November. For the period March through November 15 a total of 699 million pounds have been acquired.

National Summary of Business Conditions

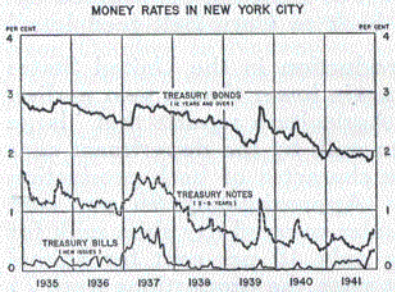
COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DECEMBER 20, 1941



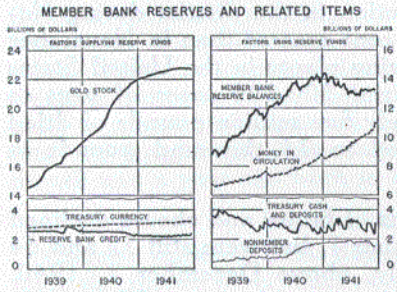
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to November 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to December 13, 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 3, 1935 to December 11, 1941.



Wednesday figures, January 4, 1939 to December 17, 1941.

Industrial activity was maintained at a high rate in November and the first half of December and distribution of commodities continued in large volume. Our entry into the war was reflected in a sharp advance in the prices of some commodities, some decline in security prices, and further curtailment of non-military production.

PRODUCTION: Volume of industrial output was sustained in November at the high rate of the previous two months, although a decline is usual at this season. The Board's adjusted index advanced from 163 to 167 per cent of the 1935-39 average. In industries engaged in production of armament and munitions activity continued to increase and in most other lines volume of output was maintained or declined less than seasonally.

Output of materials, such as steel and nonferrous metals, was maintained at about capacity. In the automobile industry activity increased, reflecting larger output of both military and civilian products, and at lumber mills and furniture factories activity declined less than seasonally. At cotton and rayon textile mills activity rose to new record levels, and at woolen mills the high production rate of other recent months was maintained. Less than seasonal declines in output were indicated for shoes and manufactured food products.

Crude petroleum production increased further in November. Bituminous coal production declined somewhat owing to temporary shutdowns at some mines during November, and anthracite production was curtailed as a result of unusually warm weather in some areas and the existence of considerable stocks of coal accumulated in earlier months. Iron ore shipments continued in large volume until the shipping season closed early in December; during 1941 about 80 million tons of ore were brought down the Lakes as compared with the previous record of 65 million tons in 1929. Stocks of ore at lower Lake ports on November 30 amounted to about a seven months' supply at the current consumption rate of around 6.5 million tons a month.

Following a declaration of war by this country in early December further steps were taken to curtail output of nondefense goods using critical materials. Output quotas for passenger cars and household appliances were greatly reduced and cessation of output of some other products was ordered as of the end of January. Also, the production and sale of new automobile tires and tubes for civilian use were halted temporarily, pending establishment of a system for controlling their distribution.

Value of construction contracts awarded in November declined sharply from the high level of other recent months, according to figures of the F. W. Dodge Corporation. Awards for privately-financed construction decreased more than seasonally and contracts for publicly-financed projects also declined following a continued large volume of awards since last spring. Total awards in November were about a fifth larger than a year ago, while for the first ten months of the year they were three-fifths larger.

DISTRIBUTION: Volume of retail trade increased in November following some decline in the previous month. Department store sales, as measured by the Board's seasonally adjusted index, advanced to 115 per cent of the 1923-25 average as compared with 105 in October and 116 in September. Larger sales in November were also reported by variety stores. Sales of automobiles increased somewhat, according to trade reports, but, as in other recent months, new car sales were smaller than output and dealers' stocks rose further.

In the second week of December sales at department stores rose less than seasonally, particularly in the coastal regions.

Freight traffic on the railroads continued in large volume in November and the first half of December. Grain shipments increased considerably and loadings of miscellaneous merchandise, which includes most manufactured products, were maintained at the high level reached several months earlier. Coal loadings declined somewhat, owing in part to temporary shutdowns at some mines. Shipments of most other classes of freight decreased less than is usual at this season.

COMMODITY PRICES: Following the entry of the United States into the war, prices of grains, livestock, and foods rose sharply. Prices of most industrial materials traded in the organized markets, being limited by Federal regulation, showed little change. Additional measures to prevent advances in wholesale prices were soon announced for wool and shellac and for such imported foods as cocoa, coffee, pepper, and fats and oils.

Retail food prices, as measured by the Bureau of Labor Statistics' index, increased 1½ per cent further from the middle of October to the middle of November to a level 18 per cent above a year ago. Indications are that retail prices of both foods and other commodities continued to rise in December.

BANK CREDIT: Total loans and investments at banks in leading cities continued to advance during November and the first two weeks of December, owing mostly to increased holdings of Government securities at banks outside New York City. Commercial loans, after showing little net change in November, again increased sharply in the first two weeks of December.

Excess reserves increased through most of the period as a result of Treasury expenditures from Reserve Bank balances, but declined sharply on December 15 when these balances were replenished in connection with the issue of 1.6 billion dollars of new Government securities. Money in circulation has continued to show a marked increase.

YIELDS ON UNITED STATES GOVERNMENT SECURITIES: The yield on 2½ per cent United States Government bonds of 1967-72, which reached a record low level of 2.32 per cent on November 5, advanced somewhat in November and, after the entry of the United States into the war, rose to 2.50 per cent. Yields on short-term Government securities increased further. The yield on Treasury notes of December 1945 advanced to 0.93 per cent on December 17, compared with 0.62 per cent on September 15, and the rate on three-month bills rose to .295 per cent.