

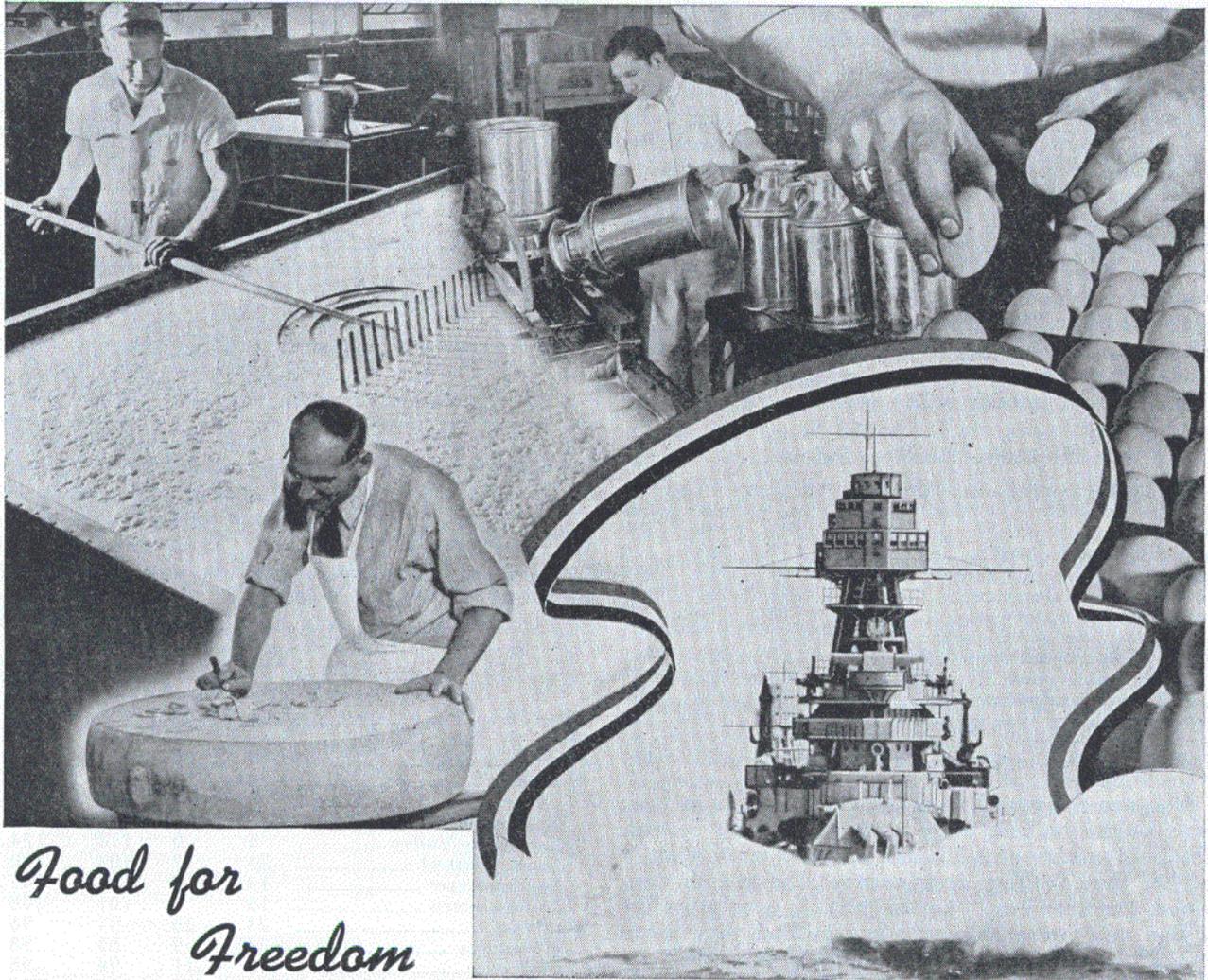
MONTHLY REVIEW

OF
 AGRICULTURAL AND BUSINESS CONDITIONS
 IN THE
 NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 7)

Federal Reserve Bank, Minneapolis, Minn.

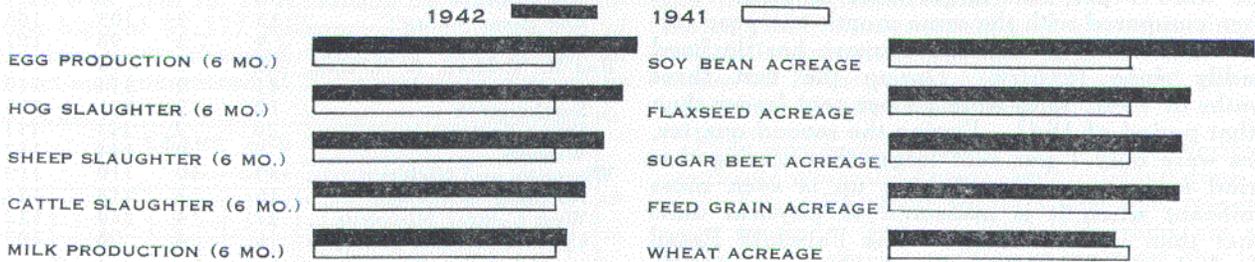
July 29, 1942



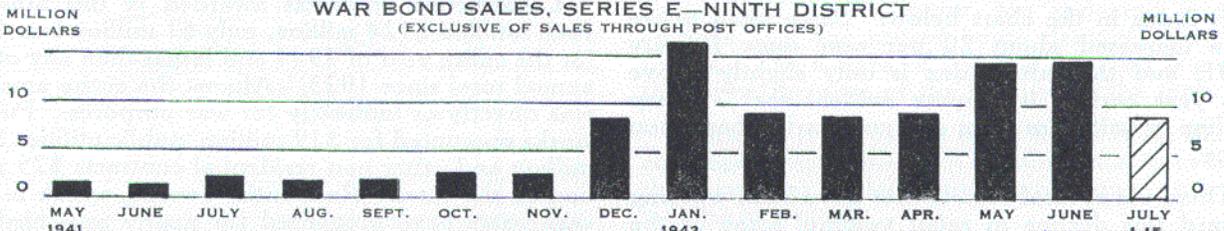
Photo—Courtesy Intermediate Credit Banks

Food for Freedom

THE NORTHWEST'S VICTORY DRIVE



WAR BOND SALES, SERIES E—NINTH DISTRICT (EXCLUSIVE OF SALES THROUGH POST OFFICES)



Business volume advanced somewhat in June but continued to be smaller than earlier in the year. Member bank deposits and holdings of Government securities increased sharply during the second quarter. Farm income increased to a record June level. Farm prices advanced further.

BUSINESS

Business activity in the Ninth District, as measured by our seasonally adjusted indexes, advanced somewhat from the May level, but was somewhat lower than in March and April. Nevertheless, the bank debits, clearings and country department store sales indexes were the highest on record for June and city department store sales were the highest for the month since 1929. The index of miscellaneous carloadings declined in June for the fifth consecutive month reflecting the reduced movement of general merchandise, automobiles, etc., and was the lowest for any month since October 1940. Other carloadings in June were the largest for that month since 1930. The Minnesota employment index, reflecting war plant activity, advanced 2 points to a level about 6 per cent above a year ago and the highest for any month in the nine-year records.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

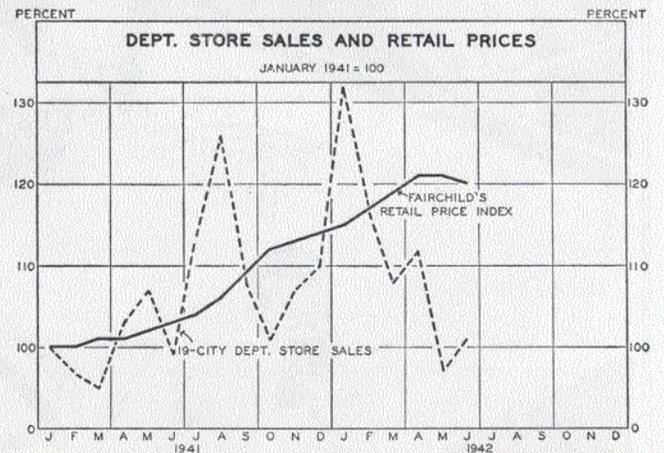
| | June 1942 | May 1942 | June 1941 | June 1940 |
|---|-----------|----------|-----------|-----------|
| Bank debits—94 cities | 143 | 137 | 131 | 109 |
| Bank debits—farming centers | 146 | 144 | 133 | 110 |
| Country check clearings | 151 | 153 | 137 | 112 |
| City department store sales | 116 | 112 | 114 | 107 |
| City department store stocks..... | 171 | 160 | 110 | 101 |
| Country department store sales... | 119 | 115 | 116 | 109 |
| Country lumber sales | 110 | 103 | 122 | 116 |
| Miscellaneous carloadings | 118 | 127 | 124 | 105 |
| Total carloadings (excl. miscellaneous) | 143 | 151 | 139 | 123 |
| Farm Prices—Minn. | 145 | 144 | 119 | 83 |
| Employment—Minn. (Unadj. 1936 = 100) | 128 | 126 | 121 | 109 |

Iron ore shipments from upper lake ports in June were at the highest daily average rate on record. Total shipments of 12.7 million tons were slightly smaller than in May only because the month contained one less day. Up to July 1, a total of 34 million tons were shipped, five million tons more than during the corresponding period last year.

Department store sales in the Northwest during June were 3 per cent larger than in June 1941. When compared with the same month one year earlier, the monthly percentage increase has declined steadily since January. During the first three months of 1942, sales were 23 per cent larger than in that period of 1941. During the second quarter, sales were only 1 per cent larger than during that period last year. This slowing up is even more significant when it is measured in physical units rather than dollar volume. The Fairchild Retail Price Index is plotted with the city department store sales index in the chart below. Since retail prices have increased about 20 per cent since January 1941, and the sales index is only slightly above one year earlier, it is quite evident that a sharp decline in unit sales from one year earlier has taken place.

There are several factors that have been working toward this decline in retail volume, some of the

more important being (1) growing shortages in the "hard" lines; (2) anticipatory consumer buying during last quarter of 1941 and first part of 1942 due to fear of scarcity, lower quality and higher prices; (3) credit sales regulations; (4) payroll deductions for buying War Bonds; (5) anticipation of higher tax payments; and (6) price ceilings which have taken the speculative urge out of consumer buying.

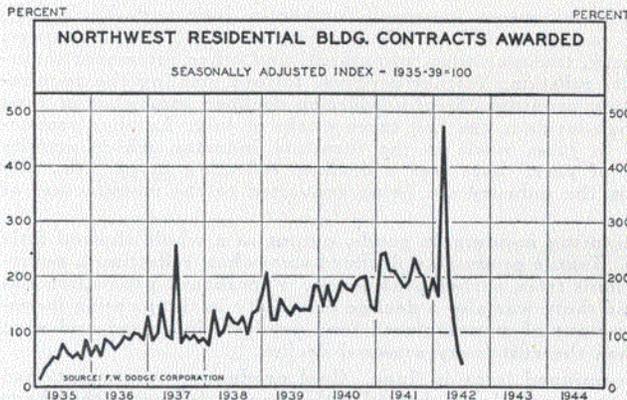


Sales at Department Stores

| | Number of Stores | | % June 1942 of June 1941 | Cumulative % 1942 of 1941 |
|--------------------------------|------------------|----------|--------------------------|---------------------------|
| | Increase | Decrease | | |
| Total District | 226 | 68 | 103 | 110 |
| Mpls., St. Paul, Dul.-Sup..... | 17 | 6 | 102 | 110 |
| Country Stores | 209 | 62 | 103 | 110 |
| Minnesota | 64 | 14 | 105 | 112 |
| Central | 7 | 2 | 108 | 119 |
| Northeastern | 3 | 3 | 90 | 102 |
| Red River Valley | 5 | 0 | 118 | 124 |
| South Central | 21 | 2 | 109 | 120 |
| Southeastern | 13 | 2 | 106 | 107 |
| Southwestern | 15 | 5 | 101 | 108 |
| Montana | 21 | 20 | 91 | 98 |
| Mountains | 3 | 9 | 85 | 98 |
| Plains | 18 | 11 | 94 | 98 |
| North Dakota | 34 | 9 | 100 | 108 |
| North Central | 7 | 1 | 102 | 117 |
| Northwestern | 5 | 1 | 96 | 101 |
| Red River Valley..... | 13 | 3 | 103 | 108 |
| Southeastern | 9 | 3 | 98 | 107 |
| Red R. V.-Minn. & N. Dak. | 18 | 3 | 106 | 111 |
| South Dakota | 41 | 9 | 114 | 110 |
| Southeastern | 12 | 2 | 111 | 105 |
| Other Eastern | 20 | 7 | 111 | 111 |
| Western | 9 | 0 | 144 | 132 |
| Wisconsin and Michigan..... | 49 | 10 | 110 | 119 |
| Northern Wisconsin..... | 16 | 2 | 118 | 121 |
| West Central Wisconsin..... | 27 | 4 | 110 | 122 |
| Upper Peninsula Michigan | 6 | 4 | 98 | 107 |

Construction contracts awarded in this area in June totalled \$124 million, only \$1 million less than for the entire year of 1941 and larger than any other annual total since 1923. Almost the entire amount was directly or indirectly for war purposes. Public works accounted for \$19 million, public utilities \$29 million and other non-residential contracts \$75 million of the total. Residential awards, which in recent years have accounted for nearly one-third of

the building volume, totalled only \$840 thousand in June. Residential building volume had shown a steady growth since 1934, reaching a peak in 1941. Priorities and residential building restrictions, however, have cut deeply in recent months and in June residential awards were only one-fifth as large as one year earlier and the smallest for the month since 1934.



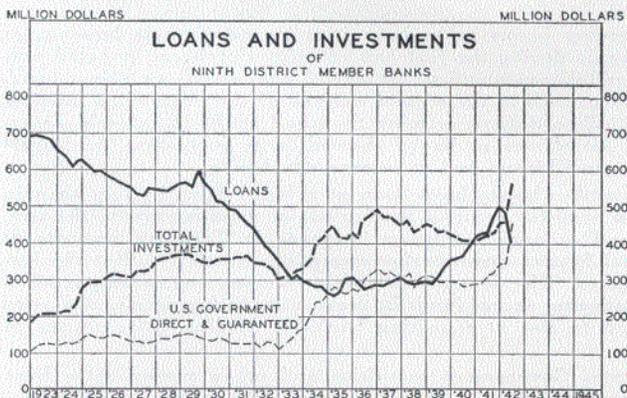
Retail furniture sales in the Ninth District, as indicated by 43 firms reporting to this bank, were 17 per cent smaller in June than one year earlier. Cash sales were 51 per cent larger but credit sales declined 24 per cent. Sales for the first half of 1942 averaged 6 per cent larger than during the same period last year. Collections were 23 per cent larger in June than a year ago. Receivables on June 30 were down 16 per cent from that date in 1941 and inventories were 44 per cent larger.

Retail Furniture Summary

| | Number of Stores | % June 1942 of May 1942 | % June 1942 of June 1941 |
|----------------------------------|------------------|-------------------------|--------------------------|
| Total Net Sales..... | 43 | 90 | 83 |
| Credit Sales | 34 | 85 | 76 |
| Cash Sales | 34 | 107 | 151 |
| Total Collections | 32 | 98 | 123 |
| Total Receivables (June 30)..... | 32 | 94 | 84 |
| Inventories (June 30)..... | 24 | 97 | 144 |

BANKING

Deposits of all member banks in the Ninth District increased \$70 million during the period from April 4 to June 30, 1942, raising the total to an all-time high of \$1,377 million. The composition of earning assets changed markedly as holdings of direct and guaranteed U. S. Government obligations



increased \$112 million, and raised total investments to \$562 million. Loans during this period suffered the sharpest decline in history, dropping \$84 million to \$401 million, the lowest level since the fall of 1940.

AGRICULTURE

Farmers' cash income in the Ninth District from the sale of ten major farm products increased \$8 million in June to a record total for that month of \$86 million. This compares with \$68 million in June 1941 and \$37 million in June 1940. Income from the sale of livestock was 59 per cent larger than one year earlier, reflecting both higher prices and larger shipments to market. Dairy products' income was up 10 per cent and egg income 61 per cent. Income from crops was somewhat smaller than a year ago because of smaller marketings.

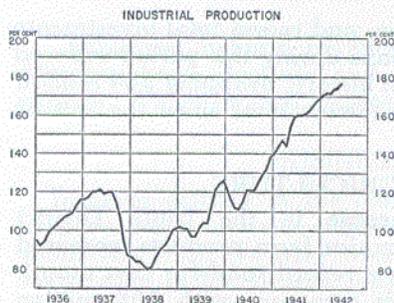
Farm product price trends were mixed during June but on the whole advanced slightly. The Minnesota Farm Price Index rose one point to 145, the highest level in the 18-year records. The farm price of livestock increased somewhat. Hogs averaged \$13.32, beef cattle \$10.89 and lambs \$11.35 per cwt. Eggs and milk also were slightly higher than in May. Wool declined one cent to an average of 39 cents per pound. Grain prices declined generally but were substantially higher than one year ago.

The 1942 spring pig crop in the Ninth District was estimated to be 9.5 million head compared with 7.6 million head in 1941. This is an increase of 24 per cent and the largest spring pig crop since 1931. If the number of sows to farrow this fall should be as large as now indicated, and if the average size of litters should be about the same as the average of recent years, the fall pig crop would be about 3.2 million head. This number added to the spring crop would give a combined total of 12.7 million head which would exceed the total in 1941 by 23 per cent.

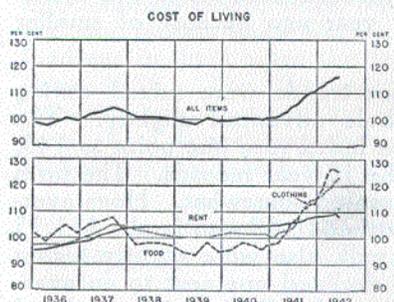
In the entire United States, the spring pig crop of about 61.9 million head is 25 per cent larger than the spring crop of 1941 and 15 per cent above the previous record spring crop of 1933. Estimated yearly figures would give a combined spring and fall total of over 100.5 million head, an increase of 23 per cent over 1941 and 18 per cent over the previous record crop in 1931.

Crop prospects for small grains in the Northwest continued unusually favorable throughout June and early July. Excellent winter wheat and rye crops were assured. Spring-sown small grains are generally in excellent condition throughout the territory. Leaf rust, however, has appeared in some sections and has caused some damage, especially to flax. The hazard of leaf rust this year is greater than usual because of the lateness of the crop.

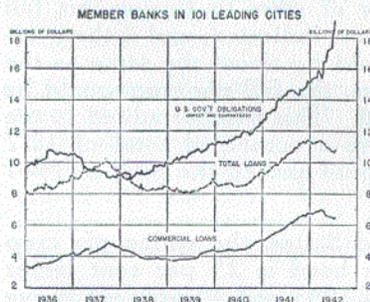
The corn crop, on the other hand, is far behind, and highly favorable corn weather must prevail for the remainder of the season if an average corn crop is to be harvested.



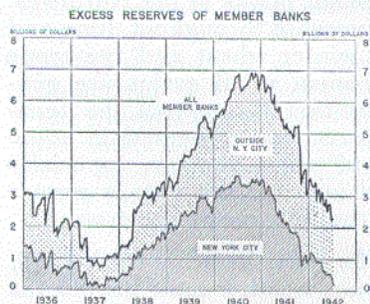
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for June, 1942.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September, 1940, monthly thereafter. Latest figures shown are for June, 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "other loans" as then reported. Latest figures shown are for July 15, 1942.



Wednesday figures, partly estimated. Latest figures shown are for July 15, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 24, 1942

Industrial activity continued to advance during June and the first half of July. Volume of goods distributed to consumers continued substantially below a year ago and commodity prices generally showed little change.

PRODUCTION: Industrial output increased further in June and the Board's seasonally adjusted index rose from 174 to 177 per cent of the 1935-39 average. Production in the machinery, transportation equipment, and other armament industries continued to advance, reflecting further progress toward meeting the requirements of the war production program. Steel production declined somewhat in June but increased to earlier high levels in the first three weeks of July. Lumber production increased seasonally in June, while in the furniture industry, where activity usually rises at this time of year, there was a decline, reflecting in part the fact that a number of plants in the industry are being converted to the manufacture of war products.

In industries manufacturing nondurable goods, output as a whole showed little change from May to June. Textile production declined somewhat, reflecting a reduction in activity at cotton mills from earlier peak levels. Paperboard production decreased sharply further and there was also a decline in activity in the printing industry. On the other hand, output of manufactured food products increased and shoe production showed less than the customary seasonal decline.

Mineral production continued large in June. Coal production was maintained at peak levels; output of crude petroleum showed little change, following the sharp decline that occurred during March and April. Lake shipments of iron ore in June amounted to 12.6 million gross tons and at the month end stocks at lower Lake ports totaled 31 million tons as compared with 26.6 million tons a year ago.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued to increase in June and was 57 per cent above the previous record high month of August, 1941. The sharp rise in June reflected a continued increase in awards for public projects, which accounted for about 93 per cent of all contracts let during the month.

DISTRIBUTION: Distribution of commodities to consumers declined somewhat further in June. Smaller sales were reported by both department stores and mail-order houses, while sales at variety stores were maintained at about the May rate. In the first half of July department store sales showed less than the customary sharp seasonal decline.

Volume of railroad freight traffic was maintained in large volume during June and the first half of July. The number of cars loaded was below the level that prevailed a year ago, however, reflecting a sharp reduction in carloadings in less-than-carload lots as a result of orders by the Coordinator of Transportation which raised the minimum permissible weights for such loadings and thereby effected a fuller utilization of existing equipment.

COMMODITY PRICES: Prices of most commodities both at wholesale and retail continued to show little change from the middle of June to the middle of July. Prices of cotton, wool, and some other agricultural commodities, which had declined in the early part of June, advanced in this period.

About twenty additional maximum price schedules were announced covering a wide variety of products and in some cases requiring price reductions. On the other hand, Federal approval was given for higher prices on various processed fruits and vegetables, textile products, petroleum products sold on the East Coast, and services supplied to consumers.

Retail prices of uncontrolled foods advanced sharply from May to June and the Bureau of Labor Statistics price index for all foods rose $1\frac{1}{2}$ points to 123 per cent of the 1935-39 average—an increase of one-fourth since the beginning of the current advance in March, 1941.

BANK CREDIT: Member banks in leading cities increased their holdings of Government securities sharply during the first half of July. Purchases included portions of increased Treasury bill issues and of the new 2 per cent 7- to 9-year bond. This followed a substantial growth in the second quarter of the year when member banks absorbed about 3.3 billion dollars, or more than half of the increase in Treasury open-market issues. All classes of banks showed large increases, the largest percentage increases being in Chicago and at reserve city banks.

Excess reserves of member banks have been at a lower level in July than in June, because of increased need for reserves arising out of deposit growth, the continued currency drain, and a large temporary increase in Treasury deposits at Reserve Banks. Substantial System open-market operations partially offset the loss of reserves from these sources. The decrease in excess reserves was concentrated in New York and Chicago, reducing excess funds in those cities to low levels. Adjusted demand deposits continued to rise at reporting banks in leading cities except in New York.

Yields on United States Government securities and other money rates have shown little change in recent weeks.