MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 (Serial No. 15) Federal Reserve Bank, Minneapolis, Minn. March 29, 1943

Department store sales boomed to a new high for February. Farm income expanded steadily while country member bank deposits accumulated to record levels.

BUSINESS

Business activity in the Northwest surged upward during the month of February and according to our seasonally adjusted indexes registered by far the largest volume ever recorded for that month. Retail sales at both city and country department stores proceeded at an unprecedented rate for the month of February and accordingly boosted both seasonally adjusted sales indexes to new high levels for February while the country sales index at 193 was the highest for any month on record. The indexes measuring the dollar volume of business transactions flowing through banks, which are paid by check, also veered sharply upward to new high levels. All the adjusted indexes indicated a business volume greater than in January and with the exception of the indexes of carloadings and of country lumber sales all were from 16 to 41 points above February a year ago.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Feb. 1943	Jan. 1943	Feb. 1942	Feb. 1941
Bank Debits—94 cities	175	160	151	120
Bank Debits—farming centers	184	174	160	132
Country check clearings	194	182	175	137
City department store sales	132	114	95	79
City department store stocks	117	135	133	106
Country department store sales	193	162	152	124
Country lumber sales	181	145	179	135
Miscellaneous carloadings	135	130	147	122
Total carloadings (Excl. misc.)	96	88	114	100
Farm Prices—Minn.	163	162	130	94
Employment—Minn (Unadj. 1936=100)	135	133	119	107
Payrolls—Minn. (Unadj. 1936=100)	200	194	159	122

F. W. Dodge Corporation reported that building activity in the Northwest during February was down sharply from the month of January, and was less than 20 per cent of the volume reported for February 1942. All lines of construction registered declines, but the volume of residential construction was especially small when compared with February 1942.

Retail sales at both city and country department stores jumped to the highest February volume on record as customers engaged in a real buying spree. City department store sales for February were 38 per cent greater than a year ago, while sales at country department stores in the district were up 27 per cent. The dollar volume of sales reported by stores in South Dakota and in Montana was 60 and 43 per cent respectively over February 1942. In the Upper Peninsula of Michigan sales were increased 72 per cent over a year ago. City department stores reported that inventories on February 27 this year were 12 per cent less than a year ago.

Sales at Department Stores
February 1943 Compared to February 1942

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Feb. 1943 of Feb. 1942	% Jan.-Feb. '43 of Jan.-Feb. '42
Total District	215	19	134	113
Mpls., St. Paul, Dul.-Sup.	18	3	138	114
Country Stores	197	16	127	112
Minnesota	60	4	118	107
Central	8	0	135	113
Northeastern	6	0	122	107
Red River Valley	5	0	126	114
South Central	17	1	125	110
Southeastern	10	1	114	102
Southwestern	14	2	125	106
Montana	29	4	143	120
Mountains	6	2	126	104
Plains	23	2	147	124
North Dakota	40	1	123	109
North Central	7	0	123	111
Northwestern	4	0	128	107
Red River Valley	16	1	120	105
Southeastern	12	0	131	120
R. R. V.—Minn. & N. D.	21	1	121	107
South Dakota	23	0	160	133
Southeastern	4	0	185	164
Other Eastern	10	0	143	117
Western	9	0	168	147
Wisconsin and Michigan	45	7	120	107
Northern Wisconsin	16	1	107	101
West Central Wisconsin	24	6	119	105
Upper Pen. Michigan	5	0	172	147

Volume of manufacturing production in the district during February was not materially changed from the preceding month, but most of the series indicated more activity than a year ago. Slaughterings of hogs and sheep were greater than in last February, while fewer cattle and calves were handled. Flour production, although down slightly from the high level reached last month, was nevertheless 13 per cent greater than a year ago. One and one-half million barrels of flour produced at Northwest mills in February was the largest output for that month since 1931. Linseed oil shipments in February exceeded both January and the corresponding month a year ago. The number of employees engaged in mining in the district was slightly less than a year ago due to a lessening of activity in gold and silver mining. Manufacturing employment in Minnesota was approximately 24 per cent greater than a year ago.

BANKING

City member bank loans, investments, and deposits continued to follow the predominant trends of the past few months—loans to customers were reduced, investments in Government bonds increased, while deposits continued to accumulate. Total deposits, up $32 million from February 10, reached $1,036 million, only $5 million short of the all-time high of last January. The Treasury Department last month drew upon the U. S. Government deposits with city member banks to reduce these balances to $40 million, $24 million less than a month ago. Time deposits were not changed. City member bank reserve balances of $179 million were increased $16 million during the past month, and were $62 million greater than on March 11, 1942.

Country member bank deposits, reflecting in part the high incomes received by farmers, expanded another $15 million during the past month to reach a new high of $825 million. Demand deposits during the last half of February averaged $196 million higher than a year ago, while time deposits were increased $31 million. Earning assets of country member banks were $162 million greater than a year ago.

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

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
	Thousands of Dollars		
Country Banks	$102,972	$ 73,034	$ 29,938
City Banks	163,061	153,735	9,326
Total Ninth Dist.—1943	266,033	226,769	39,264
Total Ninth Dist.—1942	178,981	147,137	31,844

AGRICULTURE

Farm cash income in the Northwest did not register the usual seasonal decline last month, and according to our estimate farmers, during the month of February, received $113 million from the sale of nine important crops, livestock and livestock product items. This was slightly greater than the January income and was 42 per cent greater than in February a year ago due principally to price rises of all farm products and to larger marketings of hogs and sheep. Milk production in the Northwest was slightly greater than a year ago on account of the larger number of dary cows on farms, while marketings of cattle and calves were less than in February 1942. Since 1939 farm cash income has steadily increased due to an expanded volume of farm production and to advancing farm prices. In comparison to the $113 million which farmers received from the sale of nine important farm products in February this year, they received in that month in 1939, '40, '41 and '42, $35, $41, $50 and $80 million respectively. The 1943 income for February was more than three times the amount received in February 1939.

Farm product prices during February continued to rise and with the exception of eggs and butterfat all prices were higher than in the month of January. Most grain prices advanced 2 to 4 cents during the past month, while flax was 14 cents per bushel higher than in January.

Farm herds of productive livestock on Northwest farms were greatly expanded during the past year. According to estimates prepared by the Department of Agriculture, farmers in the Ninth Federal Reserve District on January 1 had enlarged their swine herds by 32 per cent, while the number of dairy cattle, the combined total of all cattle and calves, and chickens was increased 2, 5 and 19 per cent respectively. Flocks of sheep, both on the range and on the smaller livestock farms were slightly reduced from a year ago.

Although the number of livestock now on farms in the Northwest far exceeds the 1932-41 average, herds for the district as a whole do not greatly exceed the 1930 aggregate. In the states of North and South Dakota where drought conditions forced the liquidation of many farm herds during the middle thirties, most classes of livestock are below the 1930 levels.

Livestock feed supplies on farms and in elevators in the Northwest on January 1 were the largest on record, but despite these large stocks which have been accumulated through unusually high per-acre yields, farmers will soon reach a position where further expansion in livestock numbers must be ac-

LIVESTOCK ON NINTH DISTRICT FARMS
JANUARY 1, 1942 and 1943

(Thousands of Head)

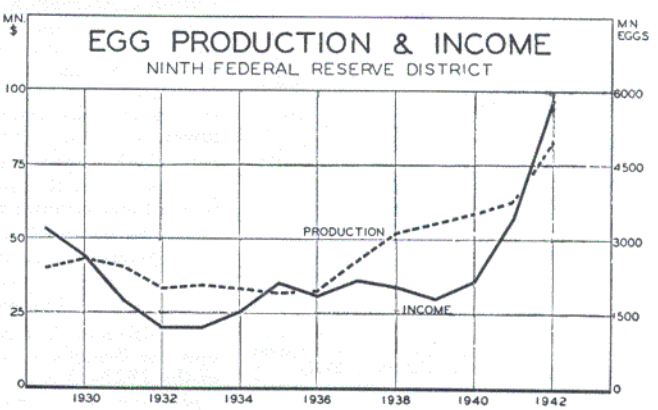
	Milk Cows*		All Cattle and Calves		Stock Sheep		Hogs and Pigs		Chickens	
	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943
Michigan (15 Co.)	75	77	133	137	6	6	14	17	446	479
Minnesota	1,809	1,845	3,684	3,758	1,201	1,165	4,082	5,102	24,442	29,297
Montana	170	173	1,389	1,486	3,853	3,545	202	307	2,297	2,661
North Dakota	590	608	1,617	1,714	1,052	1,020	587	957	5,580	7,083
South Dakota	545	540	1,939	2,133	2,064	2,126	1,412	1,977	9,297	10,964
Wisconsin (26 Co.)	595	613	956	975	138	138	377	422	4,111	4,488
NINTH DISTRICT	3,784	3,856	9,718	10,203	8,314	8,000	6,674	8,782	46,173	54,972

*—Includes cows and heifers 2 years old or over and kept for milk.

companied by a greater production of grains. Livestock herds will probably be expanded this year, particularly grain-consuming stock such as hogs and poultry, and if per-acre yields should return to average levels, it will be necessary to draw from reserve feed supplies. Stocks of corn on farms on January 1, 1943, were only 20 per cent larger than a year ago despite a 25 per cent increase in corn production in 1942. Therefore, if the estimated 24 per cent increase in hog production materializes in 1943, and if 1943 corn yields equal the per-acre average for the years 1937-41, livestock farmers will find it necessary to draw from accumulated stocks. Reserve stocks of wheat and oats were augmented substantially in 1942 and these grains can be used to extend the corn supply. During the past year the Commodity Credit released 125 million bushels of wheat as livestock feed, and late in February this year, discussions were started to authorize the release of another 100 million bushels of wheat for livestock feed. Actions of this sort and similar steps taken in the future will help to conserve the farmer's supply of corn. Only by utilizing reserve stocks of wheat and other grains for livestock feed can the livestock program continue to expand in 1943 and 1944 as it has in the past two years.

The U. S. Department of Agriculture in summarizing the crop prospects for 1943 concluded that "considering all conditions now in sight which affect yield prospects for this season, there appears no development as yet which would prevent crop yields from going as high as they did in 1942, or from falling as low as in some of the drought years." However, the unusually favorable sub-soil moisture conditions in all of the Northwest states does tend to favor per-acre yields considerably above those obtained in 1934 and 1936. Even though the yields should equal the favorable years 1937 to 1941, farmers will find it necessary to carefully analyze their entire operations in the future to determine what feeds will be available before they increase the size of their herds.

Poultry products flowing from Northwest farms have multiplied in volume in the past two years. This tremendous expansion in the production of both eggs and poultry has coincided with sharp advances in prices paid to farmers for eggs and chickens shipped to market. This combination has boosted cash income from the sale of poultry to a point where these items represent a much more important segment of farm cash income than at any time in the history of Northwest agriculture. The chart below shows the trends of egg production and income in the Ninth Federal Reserve District since 1929. In 1942 farmers received an estimated $97 million from the sale of eggs which represented 5.8 per cent of the total farm cash income for that year. In contrast during 1939 farmers received only $30 million which amounted to 3.7 per cent of the cash income. To show the whole part which the poultry enterprise contributes to cash farm income, there must be added to the return from the sale of eggs, an amount about 40 per cent as great. This 40 per cent represents the farmers' receipts from the sale of poultry.

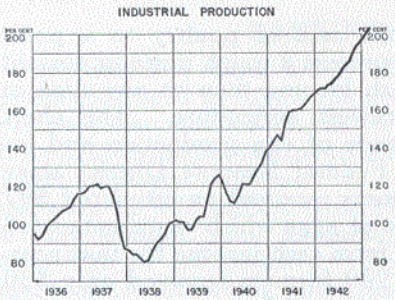


The prospects for 1943 are for still greater returns from this livestock enterprise since Northwest farmers have 25 per cent more laying hens in their flocks. The strong consumer demand for poultry and eggs that exists at the present time, associated with large lease-lend purchases to be made by the Government, should assure prices comparable to, or in excess of, those received during 1942. Many commercial hatcheries report that they have already sold their entire output of chicks for delivery through the months of March, April and May. This indicates that more chickens will be raised on farms during the coming season than in 1942. During the month of February the output of chicks by commercial hatcheries was 24 per cent greater than in February a year ago.

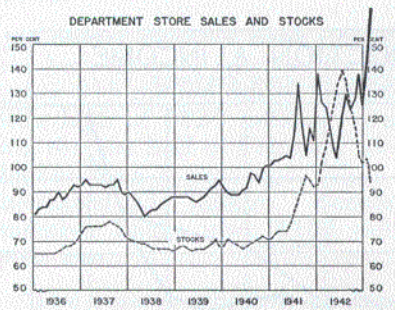
GRAIN STOCKS ON FARMS AND AT INTERIOR MILLS, ELEVATORS AND WAREHOUSES JANUARY 1, 1942 AND 1943

(Thousands of Bushels)

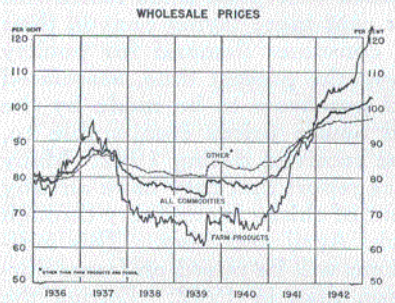
	ON FARMS						In Elevators and Mills	
	Corn		Oats		Wheat		Wheat	
	1942	1943	1942	1943	1942	1943	1942	1943
Minnesota	132,922	137,527	77,733	120,746	11,459	17,378	8,050	9,808
Montana	1,035	1,002	11,926	17,678	40,261	56,075	15,082	17,475
North Dakota	7,624	6,797	45,345	58,442	85,431	92,903	43,118	42,500
South Dakota	35,514	66,964	40,086	64,184	24,043	33,503	11,650	11,000
TOTAL	177,095	212,290	175,090	261,050	161,194	199,859	77,900	80,783



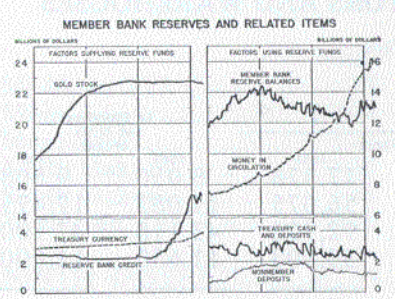
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for February 1943.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for February 1943.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending March 20, 1943.



Wednesday figures. Latest figures shown are for March 24, 1943.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 26, 1943

Industrial activity continued to advance in February and the early part of March. Retail sales of merchandise, particularly clothing, were exceptionally large in February but declined somewhat in March. Wholesale prices, particularly of farm products, advanced further.

PRODUCTION: Total industrial output continued to increase in February and the Board's adjusted index rose to 203 per cent of the 1935-1939 average as compared with 199 in January. Larger output at coal mines, steel mills, and armament plants was chiefly responsible for the rise in the index. February deliveries of finished munitions, including a record of 130 merchant ships, considerably exceeded the previous month.

Activity at steel mills reached the peak set last October. Operations averaged 98 per cent of the mills' capacity, which has been increased since that time to a figure above 90 million tons of ingots annually.

Lumber production, which declined in January owing largely to unfavorable weather, increased in February somewhat more than is usual at this season.

Output of textile products remained at the high level of other recent months. Cotton consumption was slightly lower than the corresponding month of the previous year, while rayon and wool consumption was somewhat higher than last year. Shoe production, unchanged from January, was close to the level set by the War Production Board order which limits output of shoes for civilians in the six months beginning March 1 to the number produced in the last half of 1942. Meat packing declined less than seasonally after a reduction in January, while output of most other foods was lower.

Coal output rose sharply in February with the general adoption of the six-day work week in the mines. Operations in the anthracite mines increased to the high level of last summer while output of bituminous coal was the highest in many years.

The value of construction contracts awarded in February was about the same as in January according to reports of the F. W. Dodge Corporation. Total Federal awards for war construction remained at a level about one-third as large as during last summer. Federal awards for housing continued to decline in February.

DISTRIBUTION: Department store sales increased considerably in February and the Board's seasonally adjusted index rose to a new high level of 167 per cent of the 1923-25 average. Previous peaks had been 143 in January and 138 in January and November 1942. The increase in February reflected a new buying wave that began early in the month and centered chiefly in clothing items. In the first half of March the buying wave subsided somewhat and sales declined from the high level reached during February.

Freight carloadings showed more than a seasonal rise in February and the first two weeks of March and the Board's adjusted index averaged 4 per cent higher than in January. Large off-seasonal movements of grain continued to be the most unusual feature of carloadings.

COMMODITY PRICES: Prices of a number of commodities advanced further in February and in the early part of March. Farm products have continued to show the largest increases and prices received by farmers in the middle of March are estimated to be about 30 per cent higher than a year ago. Fruit and vegetable prices are considerably higher now than during the same season last year. Prices of bread grains and grains used for livestock feeding have advanced sharply in recent months and livestock prices have also risen further.

In retail markets the largest advances have continued to be in food prices. In the latter part of February maximum levels were established for leading fresh vegetables following sharp price increases resulting in part from the restrictions on retail sales of canned and dried vegetables and fruits.

BANK CREDIT: Excess reserves of member banks remained generally above 2 billion dollars during the first two weeks of March, compared with an average of about 1.8 billion during the latter part of February. During the four weeks ending March 17 total Reserve Bank holdings of Government securities showed an increase of 470 million dollars. Purchases of special Treasury one-day certificates moderated the effect of large scale shifts of funds over the tax payment period. These purchases began early in March and on March 17 the certificate outstanding was 980 million dollars. Holdings of other United States Government securities declined by 510 millions.

Reflecting the payment of taxes in cash, money in circulation rose less rapidly early in March and declined slightly around the middle of the month.

The gain in reserve funds occurred mainly at banks outside the central reserve cities; at New York City and Chicago banks reserves remained close to requirements.

In the four week period ending March 17 member banks in 101 leading cities increased their holdings of Government securities by 920 million dollars. Prices of Government securities continued steady.

Demand deposits at banks in leading cities increased sharply over the four week period. There were also increases in interbank deposits, indicating accumulation of funds by country banks.