

# MONTHLY REVIEW

OF  
AGRICULTURAL AND BUSINESS CONDITIONS  
IN THE  
NINTH FEDERAL RESERVE DISTRICT

Vol. 8 ( Serial No. 20 )

Federal Reserve Bank, Minneapolis, Minn.

August 28, 1943

Business activity in July continued at the high June level. Member bank deposits increased slightly from a month ago. Crop prospects in the northwest were greatly improved during the month of July, and farm cash income continued at a high level.

## BUSINESS

Business activity in the Ninth District in July remained at the high June level. According to our seasonally adjusted indexes the volume of business in July was about 20 per cent greater than in July a year ago. The indexes of bank debits at both city and country points were off slightly from last month, but were 37 and 21 points respectively above July 1942. The adjusted index of city department store sales advanced 7 points to 151, the highest in recent months, but still short of the all-time high of 198 reached last February. The total carloadings index advanced from June to a level 6 points higher than in July last year. The Minnesota farm price index declined slightly from June. Prior to July the Minnesota farm price index had advanced for nine consecutive months. Minnesota employment and payrolls rose further to reach a new high record.

### Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	July 1943	June 1943	July 1942	July 1941
Bank Debits—93 cities .....	175	176	138	125
Bank Debits—farming centers.....	172	173	151	135
Country check clearings.....	175	181	151	137
City department store sales.....	151	144	128	125
City department store stocks.....	158	137	182	119
Country department store sales...	149	148	121	120
Country lumber sales.....	123	109	142	176
Miscellaneous carloadings .....	110	109	126	126
Total carloadings (excl. misc.) .....	146	145	140	141
Farm prices—Minn. (unadj.) .....	172	178	145	121
Employment—Minn. (unadj. 1936=100)	152	148	130	126
Payrolls—Minn. (unadj. 1936=100)	231	229	182	149

Iron ore shipments from upper lake ports in July aggregating 13.6 million tons established a new high record for any one month. This exceeds the old record set in July 1942 by 200 thousand tons. It is expected that ore movements in August, September and October will also set new high records

for those months, but even then the War Production Board has for the second time this season reduced the goal of lake iron ore shipments. The goal for 1942 was lowered another 4.5 million tons and they have now scheduled a total of 86.5 million tons for the 1943 shipping season. The original objective was 95 million tons. Ore shipments for the year are currently running about 9 million tons behind 1942.

The dollar volume of retail sales at department stores in the District in July was 23 per cent greater than in July 1942. Sales increases were about comparable at both city and country stores, but the largest sales gains were again evident at department stores in North and South Dakota.

### SALES AT DEPARTMENT STORES JULY 1943 COMPARED TO JULY 1942

	Number of Stores Showing		% of July 1943	% of Jan.-July 1943
	Increase	Decrease	July 1942	Jan.-July 1942
Total District .....	233	18	123	120
Mpls., St. Paul, Dul.-Sup. ....	17	2	124	120
Country Stores .....	216	16	123	119
Minnesota .....	62	5	122	117
Central .....	6	0	128	126
Northeastern .....	5	2	107	105
Red River Valley.....	4	1	130	126
South Central .....	20	0	139	128
Southeastern .....	11	1	114	111
Southwestern .....	16	1	120	116
Montana .....	28	2	123	120
Mountains .....	4	1	108	94
Plains .....	24	1	126	125
North Dakota.....	40	3	132	125
North Central .....	7	1	131	125
Northwestern .....	5	0	140	126
Red River Valley.....	14	1	136	124
Southeastern .....	12	1	122	123
R. R. V.—Minn. & N. D. ....	18	2	134	124
South Dakota .....	39	3	130	135
Southeastern .....	9	0	122	145
Other Eastern .....	24	1	133	130
Western .....	6	2	134	138
Wisconsin & Michigan.....	47	3	118	113
Northern Wisconsin .....	15	1	114	108
West Central Wisconsin	27	2	117	111
Upper Penn. Michigan	5	0	132	133

## BANKING

City member bank deposits have continued an irregular increase during the month of July and by August 11 achieved another record high of \$1,136 million. This was an increase of \$2 million over the preceding month and an increase of \$343 million during the preceding twelve months. Investments in U. S. Government securities during the month increased \$20 million to a total of \$680 million. The \$20 million increase arose out of an increase of \$42 million in holdings of Certificates of Indebtedness and Treasury Notes combined with a reduction of \$22 million in other types of U. S. Government securities. Total loans to customers declined by \$2 million during the month ending August 11 and were \$45 million below a year ago. Balances with other banks declined \$5 million and were \$13 million below a year ago. Excess reserves continued their uneven pattern and were on August 11, \$2.7 million as compared with \$8.8 million a month earlier.

Country member bank deposits in the latter half of July averaged \$901 million, an increase of \$25 million over the June figure and an increase of \$279 million over a year ago. Earning assets were up \$16 million over the previous month and were \$172 million above the corresponding figure for July 1942. Reserve balances of country banks with the Federal Reserve Bank increased about \$3 million during the month and were \$32 million above a year ago.

The reserve position of Ninth District member banks as indicated by daily average reserves carried compared with reserves required is indicated by the following table.

Daily Average Reserve Position of  
Ninth District Member Banks for Sixteen-Day  
Period Ending July 31, 1943

	Average Reserves Carried (000)	Average Required Reserves (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$141,689	\$137,328	\$ 4,361
Other City Banks .....	19,299	15,888	3,411
Total City Banks.....	160,988	153,216	7,772
Total Country Banks.....	106,484	75,010	31,474
Total Ninth District, 1943...	267,472	228,226	39,246
Total Ninth District, 1942...	197,065	159,325	37,740

## AGRICULTURE

Farm cash income in the Ninth District in July, although at a very high level, failed to hold the 30% gain over the corresponding month of 1942, so consistently evident in each month during the first half of the year. For the first 6 months of 1943, due to the large 1942 crop, a large part of which was marketed in 1943, and to higher farm prices, farm cash income in the District was 33% over the same months in 1942; whereas, farm income in July, ac-

ording to our estimates, was 20% over a year ago. Continued heavy marketings of hogs held income from that source at \$25 million, about equal to last month but five times the July 1939 receipts. Cash income of \$10.4 million from the sale of eggs in July was four times the 1939 level.

The United States Department of Agriculture reported farm cash income for the nation in the first half of 1943 to be \$8.2 billion. This was 32% above the \$6.2 billion received in those months in 1942 and 2.3 times the income for the first half of 1939.

The Department of Agriculture also points out increases in farm operators' production expenses. Since 1939, annual production expenses of farm operators in the United States increased about \$4 billion. In 1939, farm expenses were \$6 billion, while the 1943 expenses are expected to aggregate \$10 billion. However, when these production expenses are expressed as a percentage of cash farm income the picture is completely changed. In 1939, the \$6 billion of farm expenses required 70% of the cash income of farm operators, while the 1943 estimates of income and expense indicate only 50% of the farmers' cash income will be spent for production expenses. In other words, the nation's farmers in 1939 had remaining from cash income, \$2.5 billion. In 1943 the "net" will be about \$10 billion, an increase of 300% since 1939.

It is also significant to note the increase in farm wage expenses. In 1939, farmers paid approximately \$1 billion in wages to farm workers; for 1943, the farm wage bill was estimated to be \$2 billion. Out of the \$6 billion of farm production expenses in 1939, 15% was wages to farm workers—in 1943, 20%. Even though the wage bill doubled from 1939 to 1943, it is significant that in each of the two years it required 10% of the cash farm income to pay this bill.

PRODUCTION EXPENSE OF FARM-OPERATORS—  
UNITED STATES 1939-43

	Cash Farm Income —Billions of Dollars—	Farm Prod. Expense	Ratio of Exp. to Income	Wages Amt. (Billion \$)	% of Inc.
1939.....	8.69	6.1	70	.90	10
1940.....	9.11	6.5	71	1.00	11
1941.....	11.75	7.6	65	1.25	11
1942.....	16.14	9.2	57	1.50	9
1943.....	*20.00	*10.0	50	*2.00	10

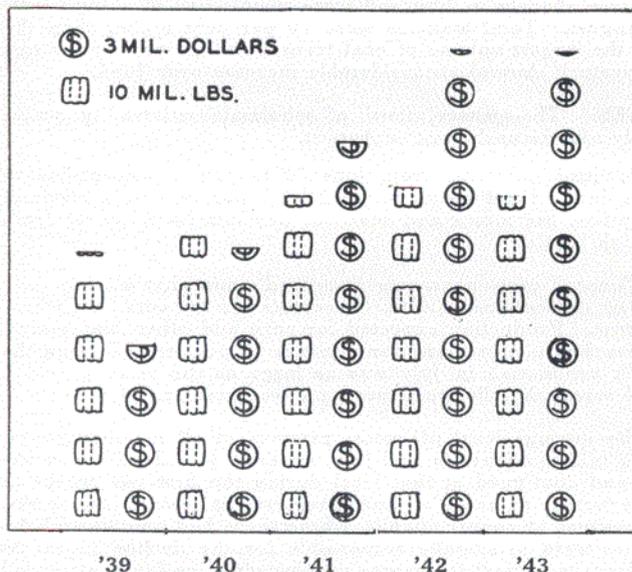
\* Estimated

While national averages may not be highly significant to the individual farm operator, the tremendous gain in income of farmers indicates that the great majority of farmers are making large earnings. Further proof of that statement is to be found in the recent publication released by the Division of Agricultural Economics at the University of Minnesota, summarizing 1942 farming operations in that state.

Accurate records from 165 farms in southwestern Minnesota revealed average earnings of farm operators in that section of the state in 1942 to be \$6,200 as against \$2,100 in 1940. This return was net to the operator after paying all farm expenses and after allowing for interest on capital investments which, on these farms, averaged \$1,900 in 1942. Average total returns for this group of farms were \$11,600; average total expenses including interest, were \$5,400, leaving a net to the operator of \$6,200. The 33 most profitable farms showed net earnings of \$12,300 while the 33 least profitable farms had a net of \$2,400.

**Wool growers** in the northwest received for their product in 1943 a cash income about equal to that of 1942 but this is nearly two and a half times as large as the wool income in 1939. The slight decline in wool production in this region, due to the lower average weight per fleece and to the smaller number of sheep shorn, was offset by a price rise of about 3 cents per pound of wool. According to our estimate, sheep raisers in the Ninth District received each year, 1942 and 1943, about \$27 million from the sale of wool. This compares to a 1933-42 average income from wool of about \$15 million. Wool production in the nation this year was 4% below 1942.

PRODUCTION AND CASH INCOME FROM WOOL FOR THE NINTH FEDERAL RESERVE DISTRICT BY YEARS 1939-43



**Northwest crop production** estimates on August 1 were revised sharply upward from a month ago. It now appears likely that total crop production in this District in 1943 may be 8 to 10% short of the 1942 production instead of falling off 15% as was indicated by the July 1 report of crop conditions. The estimate for wheat production was raised to 279 million bushels as against the July 1 estimate of 244 million bushels. The estimate of 1943 corn

production likewise was revised upward from 270 million bushels to an estimate of 334 million bushels on August 1. Production comparisons for 1942 and 1943 appear in the following table:

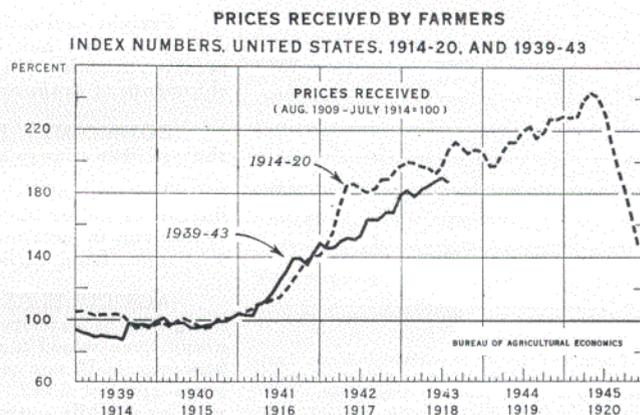
CROP PRODUCTION IN THE NINTH FEDERAL RESERVE DISTRICT

	(Thousands of Bushels)		% Change
	1942	1943 *	
Corn .....	360,806	334,408	— 7
Wheat .....	292,868	278,772	— 5
Oats .....	390,377	354,455	— 9
Barley .....	192,903	166,154	— 14
Rye .....	34,359	13,848	— 60
Flax .....	31,226	40,206	+ 29
<b>Total .....</b>	<b>1,302,539</b>	<b>1,187,843</b>	<b>— 9</b>

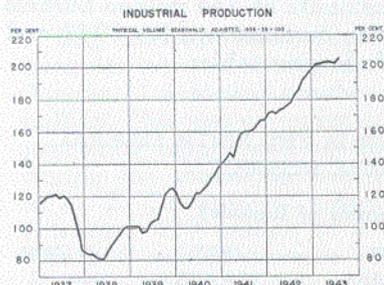
\* August 1 Estimates.

**Farm product prices** in July showed moderate declines from last month. When compared to a year ago, most grain prices were up 20-30 cents per bushel while all livestock prices, with the exception of hogs, were above a year ago. The average price of hogs—\$12.99 per cwt.—was 58 cents below the July, 1942 price.

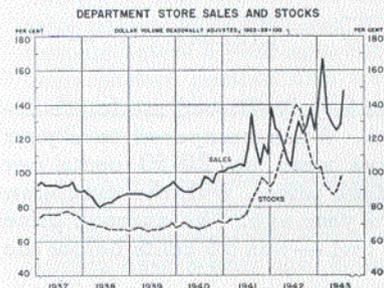
The trends of farm product prices in the two war periods are presented in the chart below:



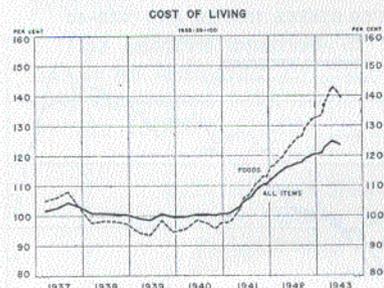
**The 1944 wheat acreage goal** of 68 million acres, recently announced by the War Food Administration, represents an increase of 26% over 1943. The bulk of this increase is sought in the Great Plains States, including North and South Dakota and Montana. The Administration states, "In our effort to produce more wheat in 1944, we cannot afford to create 'dust bowls,' and suggests that, "Farmers should be asked to hold land for increased acreages in 1944 of more urgently needed crops where adapted, such as flaxseed, dry beans, dry edible peas, potatoes and vegetables, and feed crops where such crops will produce more feed per acre than wheat, and then to plant all other acres to wheat consistent with good farming practice."



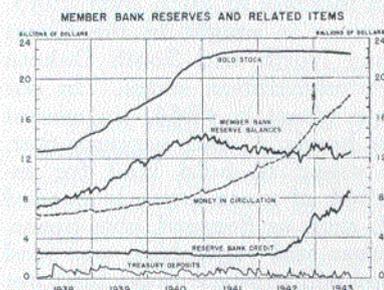
Federal Reserve index. Monthly figures, latest shown is for July 1943.



Federal Reserve indexes. Monthly figures, latest shown are for July 1943.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for July 1943.



Wednesday figures, latest shown are for August 18, 1943.

## National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AUGUST 25, 1943

Industrial production advanced to a new high level in July following a slight decline in June, both of the changes reflecting chiefly fluctuations in coal production. Maximum food prices were reduced recently with a consequent slight decline in cost of living in July. Retail sales continued in large volume.

**INDUSTRIAL PRODUCTION:** Industrial activity increased in July, reflecting a large rise in mineral production. Output at coal mines advanced sharply from the reduced level in June, production of crude petroleum increased, and iron ore shipments reached the highest monthly rate on record.

In manufacturing industries, output of most durable products and chemicals continued to increase in July, reflecting chiefly a further rise in production of munitions. At meat packing plants and cigarette factories production was also larger in July. Output of leather and textile products had shown small decreases in June and further declines occurred in July. Activity in most other nondurable goods industries showed little change from June to July.

The decline in the value of construction contracts awarded continued during July, according to reports of the F. W. Dodge Corporation. Most of the decline is accounted for by a drop in awards for publicly-financed industrial facilities and for public works and utilities.

**DISTRIBUTION:** Value of retail sales declined less than seasonally in July and continued substantially larger than a year ago. During the first six months of this year sales had averaged about 12 per cent larger than in the corresponding period of 1942 and in July the increase was somewhat greater. The higher level of sales this year as compared with last year reflects for the most part price increases. In the first half of August sales at department stores increased by about the usual seasonal amount.

Freight carloadings rose sharply in July and were maintained at a high level during the first half of August. Total loadings were 10 per cent higher than the previous month owing to the largest volume of coal transported in many years and shipments of grain and livestock showed a considerable increase over June.

**COMMODITY PRICES:** The general level of wholesale commodity prices showed little change in July and the early part of August.

The cost of living declined somewhat from June 15 to July 15, according to Bureau of Labor Statistics data. Food prices declined by 2 per cent as a result of reductions in maximum prices for meats and seasonal declines in prices of fresh vegetables from earlier high levels.

**AGRICULTURE:** General crop prospects improved somewhat during July according to Department of Agriculture reports. Forecasts for the corn and wheat crops were raised 6 per cent. Production expected for corn and other feed grains, however, is 10 per cent less than last year and for wheat is 15 per cent less than the large crop of 1942. Milk production in July was as large as the same period a year ago, while output of most other livestock products was greater.

**BANK CREDIT:** The average level of excess reserves at all member banks, which had been about 1.5 billion dollars in mid-July, declined to 1.2 billion in the latter part of the month and continued at that level during the first two weeks of August. There was some further decrease of excess reserves at reserve city banks, but most of the decline occurred at country banks, where there had previously been little change. Two factors were principally responsible for the decline in excess reserves: an increase in deposits subject to reserve requirements, as funds expended by the Treasury from war loan accounts returned to the banks in other accounts; and a growth of over 500 million dollars in money in circulation. During the four weeks ending August 18 additional reserve funds were supplied to member banks by an increase of 580 million dollars in Reserve Bank holdings of Government securities, principally Treasury bills bought with option to repurchase.

During the four weeks ending August 11, member banks in 101 leading cities increased their holdings of Government securities other than Treasury bills by almost 800 million dollars. Of this amount, 570 million represented allotments to banks of new certificates of indebtedness issued in early August. Bill holdings declined as member banks made sales to adjust their reserve positions. Commercial loans increased somewhat over the four week period, but other loans declined.