MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 263) Federal Reserve Bank, Minneapolis, Minn. November 30, 1936

DISTRICT SUMMARY OF BUSINESS

Retail trade continued to make a favorable showing during October, but several other factors in northwestern business were adversely affected by the crop failure. The department store sales index rose from 88 in September to 94 in October, reaching the highest October level since 1930. The country lumber sales index remained within three points of the high level established in September. Lumber sales in both months were larger than at any previous time since 1930. Of similar import was the rise in the miscellaneous freight carloadings index from 83 in September to 89 in October, at which point it was at the highest level since the fall of 1930. The l.c.l. freight carloadings index also increased but by a smaller amount. The indexes of bank debits and country check clearings rose moderately from September to October but continued to run at levels considerably below those of mid-summer.

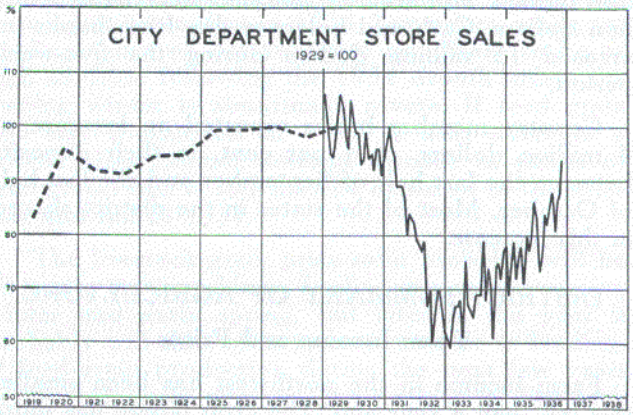
Northwestern Business Indexes

(Varying base periods)

	Oct. 1936	Sept. 1936	Oct. 1935	Oct. 1934
Bank debits—94 cities	74	68	67	57
Bank debits—farming centers	84	84	75	62
Country check clearings	141	137	125	100
Department store sales	94	88	79	72
Country lumber sales	98	101	89	70
Miscellaneous carloadings	89	83	79	70
L.C.L. carloadings	63	60	59	60

The majority of northwestern business indicators were higher in October than in the same month last year. Favorable comparisons occurred in bank debits, country check clearings, freight carloadings, building permits and contracts, real estate activity in Hennepin and Ramsey counties, copper and iron ore output, butter production, livestock marketings, retail trade, and wholesale trade. Decreases from last year's volume occurred in flour production and shipments, linseed product shipments, and grain marketings.

Both city and rural retail trade experienced sharp increases in October over last year's volume. City department stores reported an increase of 18 per cent, and three hundred and seventy-seven country general stores reported an increase of 15 per cent. It is significant to note that even in the areas where the crop failure was most severe, reporting stores have experienced a volume of sales equal to the volume last year. Where the crop failure was not so severe, trade increases have been large. In rural Minnesota, the average increase in sales over last year was 23 per cent, and in the portions of Wisconsin and Michigan lying within this district, the increase was 21 per cent.



Index of Department Store Sales of Minneapolis, St. Paul and Duluth-Superior, adjusted for Seasonal Variation.

Retail Trade

		% Oct. 1936 of Oct. 1935
Mpls., St. Paul, Duluth-Superior	(21 stores)	118
Country stores	(377 stores)	115
Minnesota—Central	(19 stores)	124
Minnesota—Northeastern	(11 stores)	146
Minnesota—Red River Valley	(10 stores)	124
Minnesota—South Central	(25 stores)	116
Minnesota—Southeastern	(18 stores)	116
Minnesota—Southwestern	(32 stores)	118
Montana—Mountain	(19 stores)	113
Montana—Plains	(34 stores)	106
North Dakota—North Central	(12 stores)	100
North Dakota—Northwestern	(8 stores)	110
North Dakota—Red River Val.	(24 stores)	113
North Dakota—Southeastern	(22 stores)	111
South Dakota—Southeastern	(15 stores)	105
South Dakota—Other Eastern	(50 stores)	112
South Dakota—West River	(10 stores)	99
Northern Wisconsin and Michigan	(33 stores)	120
West Central Wisconsin	(35 stores)	121
Ninth District	(398 stores)	116

DISTRICT SUMMARY OF BANKING

Deposits at city member banks rose moderately during the five weeks ending November 18 and during that period reached a new high level for all time at 572 million dollars. The increase in deposits in recent weeks was a seasonal affair, resulting principally from the payment of the October instalment of real estate taxes. Despite the increase in deposits, there was not a corresponding increase in earning assets. Loans to customers decreased 2 million dollars, and security holdings decreased 3 million dollars. Cash and balances due from banks increased 15 million dollars during the five-week period.

Country member banks reported an increase of 4 million dollars, or 1 per cent, in their deposits between the last half of September and the last half of October. Most of the states in the district shared in this increase.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Farm income in the northwest has been smaller this fall than a year ago. The crop failure has more than offset higher prices for many farm products. The government estimates of farmers' cash income in September totalled $61,600,000 as compared with $77,800,000 in September last year, a decrease of 21 per cent.

While the complete government estimates for October are not yet available, the estimates made in our office for farm income from seven items totalled $43,800,000 as compared with $49,700,000 in October last year. This represented a decrease of 12 per cent. The income from hogs in October was the highest since January 1931, and important increases over last year also occurred in the income from dairy products and potatoes. On the other hand, the income from grain, which is ordinarily the largest factor during the fall months, was only one-third as great as in October last year.

Prices of northwestern farm products showed more increases than decreases between October last year and October this year. All of the grains were higher and there were increases also in potatoes, milk, butter, and butcher steers. Decreases from last year occurred in feeder steers, calves, hogs, lambs, hens, and eggs. The index of Minnesota farm prices, compiled by the University of Minnesota, stood at 96 for October as compared with 99 for September and 73 for October last year.

Crops

Unusually favorable weather during October resulted in some increase in the estimated production of most of the late maturing crops in the Ninth Federal Reserve District. Potatoes showed the greatest increase with a gain of 6 per cent. While the potato production in this district is still far below last year's production, the increase during October will materially increase the quantity of potatoes available for sale by farmers during this season. In the entire United States, the prospective potato supply increased 10 million bushels, an increase of 4 per cent.

The flax production estimate was the only important one in this district to show a decrease between October 1 and November 1. Because of practically complete abandonment of all late seeded acreage, the flax estimate for North Dakota was decreased about 20 per cent to 839 thousand bushels, 8 per cent smaller than the crop harvested in 1934 and only one-sixth as large as last year. The large decrease in the North Dakota estimate resulted in a decrease of 4 per cent during the month for the four complete states in the district despite a small increase in the estimate for Montana. Although the Montana estimate was increased from 52 thousand bushels to 70 thousand bushels, it was the smallest crop since estimates were started in 1902.

Livestock and Livestock Products

Receipts of cattle and calves at South St. Paul during October and the first half of November continued at the high level of late September and were about 10 per cent larger than in October a year ago. Prices for all classes of butcher cattle with the exception of prime butcher steers decreased during October to lower levels than in October last year. Because of the scarcity of grain fed offerings, prime heavy butcher steer prices were a little stronger than prime light butcher steer prices which were the same as in September. The bulk of the feeder cattle received at South St. Paul during the six-week period ending at the middle of November were of low quality. Because of the larger supplies of lower quality, prices declined and were lower than in the preceding month and in October last year. Cattle feeders evidently were not well impressed by profit possibilities in the feeders offered during October, as feeder cattle shipments were but little larger than in September and were smaller than in October last year despite the larger supply.

The dairy cow market at South St. Paul started out strong in October with fairly broad shipper and local demand, but a shortage of attractive milkers and springers during the latter half of the month resulted in a weaker tone. During the last week of October demand was narrow and the price range was at the year's low, $75-$35. In the first half of November, offerings decreased somewhat, resulting in some steadying of demand.

Imports of Canadian cattle from mid-October to mid-November raised the 10½ month total to 155 thousand head. The 1936 quota is 175 thousand head. Imports of dairy cows included in the above figures totalled nearly 12 thousand for the 10½ months and were about 11 per cent larger than in the same period last year as compared with an in-

crease of more than 40 per cent in beef cattle. Imports of calves (under 175 pounds) continued fairly heavy and totalled nearly 55 thousand head, about 3 thousand head more than the maximum number to be imported at reduced tariff rates under the trade agreement with Canada.

Hog receipts increased rapidly as the new marketing season really got under way in October and totalled nearly 300 thousand head, the largest single month's receipts since February, 1932. Receipts of hogs normally show a seasonal increase in October, but the increase has seldom been as rapid nor as long sustained as this year. Beginning with the first week of October, weekly hog receipts have established a new high for 1936 in each succeeding week of the month and the record was again broken by receipts during the second week of November. During October and to a lesser extent in the first half of November, large numbers of lightweight hogs were received, indicating a continuance of some drouth-forced marketings from areas where the supply of grain was not sufficient to feed out the larger pig crop produced last spring. In view of the large increase in supplies, hog prices have shown remarkable strength. While weekly "top" prices declined about a dollar a hundred below those of September, the decline in the weekly "average" price during October was less than half that amount. During the first half of November, the additional declines were slight.

Receipts of sheep and lambs also increased seasonally during October, totalling nearly 400 thousand, a larger total than in any month since the half million record was established in October, 1934. During the first half of October, prices held about steady at the late September levels, but lamb prices declined materially in the latter half of the month under the pressure of ever increasing receipts. Early in November, marketings decreased somewhat and prices rose promptly, but heavier receipts at other mid-western markets again forced reductions here during the second week of the month.

The 1937 government outlook report for sheep, lambs and wool, issued in November, stated that "although lamb prices will be strengthened somewhat in the next few years by the small total supplies of livestock for slaughter, they will probably be affected much less than prices of hogs and cattle. . . . On the whole, from the standpoint of lamb prices it appears that the situation of the sheep industry in the next 5 or 6 years will compare favorably with the situation for other species of meat animals.

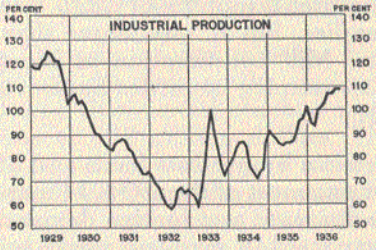
"Production of shorn wool in 1936 was slightly smaller than in 1935, and total supplies of wool on hand in this country at the end of September were about the same as a year earlier, when they were the smallest for several years. Supplies of wool in foreign countries also are below average. Domestic mill consumption in the first 8 months of 1936 was smaller than a year earlier, but it was larger than for other recent years. Mill consumption in most other important wool consuming countries has been relatively large in 1936.

"Prices of all feed grains, by-product feeds and of hay will remain high during most of the 1936-37 marketing year. An active domestic and foreign demand for malting barley is expected to maintain prices for barley at relatively high levels until the 1937 crop is available. Inasmuch as the shortage of hay this year is less acute than in 1934, hay prices, while exceeding those of last year, are not likely to be as high as those following the 1934 drouth unless the coming winter is abnormally severe. If feed grain and hay production in 1937 is near average, a greater than normal seasonal decline in prices of feed grains and of hay may be expected in the summer and fall of 1937.

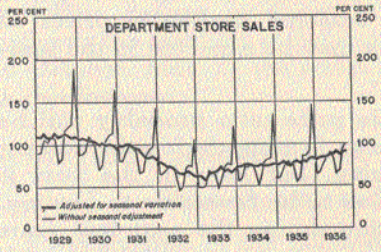
"The livestock-grain price ratio probably will be generally unfavorable to feeding during the coming winter and early spring, but later in the year it probably will shift so as to be favorable to feeding. If feed-grain production during the next few years is approximately average, the position of livestock producers will be more favorable than that of cash-grain farmers. It will take several years for livestock production to regain the level existing from 1930 to 1934. The outlook for dairymen, however, is somewhat less favorable than for producers of meat animals."

Cold storage holdings of all major food products continued to be somewhat larger than the five-year average on November 1 with the exception of pork and eggs. Stocks of these two products were about 14 per cent below the average. Pork stocks which were only 75 per cent of the average on October 1 showed a much smaller decrease than is customary during October with the result that November 1 holdings were closer to normal than at the beginning of any other month in the last year and a half. On the other hand, egg withdrawals during October were larger than is customary for that month, reducing egg holdings to the lowest percentage of normal since early last summer. The seasonal decrease in butter holdings during October was very much smaller than usual. As a result, November 1 butter holdings were larger than the five-year average, the only time this year that butter stocks have been larger than the average. Stocks of all classes of poultry increased during October. Total poultry stocks increased more than the seasonal amount and remained very much higher than the average.

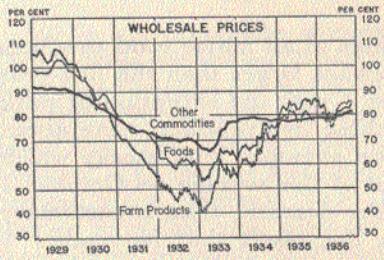
Stocks of cream, cheese, lamb and mutton and miscellaneous meats increased slightly during the month and beef stocks increased by more than twice the usual amount. Lard holdings decreased moderately but, together with stocks of beef, lamb and mutton, and miscellaneous meats were much larger than average.



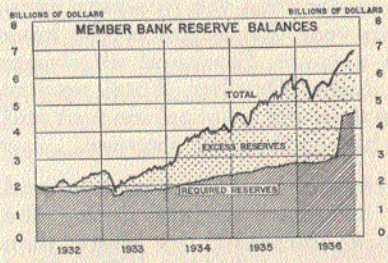
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January, 1929, to October, 1936.



Indexes of value of sales, 1923-1925 average=100. By months, January, 1929 to October, 1936.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending November 21, 1936.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932, to November 18, 1936.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOVEMBER 27, 1936

The volume of industrial production increased seasonally in October and there was a substantial rise in employment and payrolls. Prices of a number of industrial raw materials and finished products have advanced.

PRODUCTION AND EMPLOYMENT: In October the Board's seasonally adjusted index of industrial production was at 109 per cent of the 1923-1925 average, about the level of the three preceding months. Steel production was in larger volume than in any other month since 1929, and the rate of activity was sustained in the first three weeks of November. The output of automobiles rose sharply from September to October. The increase in this period was less than a year ago, reflecting the fact that this year the date of the shift to production of new models was less uniform among the leading producers, but in the first three weeks of November production increased further and was larger than last year. Activity at textile mills, which usually increases in October, declined slightly from the high level of September. In the meat packing industry output showed a further increase. Coal production increased seasonally, and production of crude petroleum continued at recent high levels.

Factory employment increased by more than the usual seasonal amount between the middle of September and the middle of October. Increases in employment were general among the durable goods industries, with the largest expansion reported at factories producing automobiles and machinery, while changes in employment in the non-durable goods industries were largely of a seasonal character. Factory payrolls rose by considerably more than the usual seasonal amount.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was slightly smaller in October than in September, with a decline in publicly-owned projects partly offset in the total by an increase in awards for private non-residential construction.

DISTRIBUTION: Sales by department stores and by mail order houses serving rural areas increased from September to October by a larger amount than is usual at this season. Variety store sales showed a less than seasonal rise. Freight-car loadings increased further in October, reflecting chiefly a larger volume of shipments of miscellaneous freight and of coal.

COMMODITY PRICES: The general level of wholesale commodity prices advanced somewhat during the first three weeks of November, following two and a half months of little change. Since the middle of October prices of a number of industrial raw materials, particularly non-ferrous metals, hides, rubber, silk, and wool, have shown a considerable rise and there have also been substantial increases in the prices of some finished products, including automobile tires, glass, woolen goods, and cotton goods.

BANK CREDIT: Member bank reserves increased in the four weeks ended November 18, chiefly as the result of transfers of gold to the United States. On that date member bank reserves were $2,270,000,000 larger than legal requirements, the highest level since the increase in reserve requirements which became effective in the middle of August.

Adjusted demand deposits at weekly reporting member banks in leading cities have continued to increase, and on November 18 amounted to about $15,400,000,000. Since the end of last May these deposits have increased by over $800,000,000, reflecting a rise in deposits outside New York City. Time deposits at reporting banks have remained at about the $5,000,000,000 level.

Holdings of United States government obligations at reporting banks have recently declined somewhat further. Since the end of June the decline has amounted to about $300,000,000 and has been at New York City, with little change elsewhere. Holdings of other securities have declined in recent weeks, reflecting chiefly a reduction in the amount held by New York City banks. Loans to customers have shown some further increase.