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

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Business volume in April about equalled that of March and was well above April last year. Member bank deposits dropped sharply in April but rose rapidly after May 1. City bank excess reserves made new high record May 10. Farm income declined but was larger than a year ago.

BUSINESS

The volume of business in April in this district as measured by our seasonally adjusted indexes was about as large as in the preceding month but was well above the level of April last year. As shown in the table below, the April increases in the bank debits and country lumber sales indexes were much larger than the small decreases shown by several of the other indexes. The 94-city bank debits index, a broad general business volume indicator, was as high in April as in any month since August 1937 when the index was 95 and the farming centers bank debits index was the highest for April since 1937 when it was 93. The country lumber sales index was the highest for April since 1930 indicating a continuance of the high volume of new building and repairs in the smaller towns and on farms that has been observed in other recent months.

Northwestern Business Indexes
(1929-1931 = 100)

	April 1939	March 1939	April 1938	April 1937
Bank debits—94 cities	90	84	90	94
Bank debits—farming centers	91	92	88	93
Country check clearings	147	145	143	153
City department store sales*	95	96	92	92
City department store stocks	73	81	72	76
Rural department store sales	98	89	95	98
Country lumber sales	109	104	105	91
Miscellaneous carloadings	81	82	69	98
LCL carloadings	64	64	63	70

*Seasonal adjustments revised, 1934 to date.

Building contracts awarded in April as reported by the F. W. Dodge Corporation were nearly double the relatively high level of the preceding month and were more than twice as large as in April last year. Residential contracts accounted for more than the customary percent of the total in April and educational building contracts were also unusually high. Factories and religious and memorial buildings were the only classes of building contracts that were smaller in April than in March. Totals for these two classes were also below the April 1938 volume. Contracts for public works decreased sharply in April to about half of the April 1938 volume. Public utility contracts increased moderately in April but the total for the month was only half as high as in April last year.

Building permits issued in 51 reporting cities were 75 percent larger in April 1939 than in April 1938, the 111 percent increase in new construction being partially offset by the 24 percent decrease in permits for repairs. The average size of new building permits in April was again much higher than in the same month in the preceding year and the average size of permits for repairs declined.

Warranty deeds recorded in Hennepin and Ramsey Counties in April were far above the level for March and were somewhat higher than in April last year. **Mortgages recorded** in the same counties were more numerous in April than in March but were fewer than in April 1938. **Mortgages accepted for insurance by the FHA** in March showed about the usual increase over the preceding month and were larger in both number and dollar amount than in March 1938. North Dakota was the only state in the district for which a decrease was reported. The first quarter total dollar amount for North Dakota, however, as well as for each of the other complete states in the district was far above the total of mortgages insured during the first quarter of 1938.

Department store sales in April were in about the same volume as in April last year at both city and country stores. Country stores in Montana led those in all other states with a 5 percent increase, the result of a 7 percent increase in the plains section of that state. South Dakota was the only other state where all sections reported sales as large or larger than a year ago. City department store stocks declined by more than the seasonal amount in April but were a little larger than a year ago.

Sales at Department Stores

	No. of Stores	% April 1939 of April 1938	Cumulative % 1939 of 1938
Mpls., St. Paul, Duluth-Superior	21	100	102
Country Stores	437	100	101
Minnesota	152	99	102
Central Minnesota	29	102	103
Northeastern Minnesota	18	101	101
Red River Valley Minnesota	11	106	100
South Central Minnesota	33	95	98
Southeastern Minnesota	18	97	99
Southwestern Minnesota	43	99	106
Montana	47	105	109
Mountain	13	102	102
Plains	34	107	114
North Dakota	79	99	97
North Central North Dakota	13	100	98
Northwestern North Dakota	12	97	96
Red River Valley No. Dakota	25	100	97
Southeastern North Dakota	24	99	97
Southwestern North Dakota	5	87	98
Red River Valley—Minn., N. D.	36	101	98
South Dakota	84	102	104
Southeastern South Dakota	19	100	103
Other Eastern South Dakota	54	104	105
Western South Dakota	11	101	103
Wisconsin and Michigan	77	95	96
Northern Wis. and Mich.	42	94	95
West Central Wisconsin	35	96	96
Total District	458	100	101

Collections as reported by 45 stores increased during April and were a little larger than in April last year although the volume of accounts and notes receivable at the beginning of the month was smaller than a year ago. **Accounts and notes receivable** increased during April and on April 30 were the largest for that date in the last five years with the exception of 1938.

Business failures in April were a little larger in number and much larger in amount than in the preceding month but were fewer and liabilities were only one-third as large as in April 1938. **Non-farm real estate foreclosures** in March were somewhat more numerous than in February but were somewhat smaller than in March last year.

Electric power consumption in the district was about as large in March as in February, the increase in Montana offsetting the small decline in the other states, and was about 10 percent larger than in March last year. The **Minnesota employment index** for March, 96, was two points higher than in February and in March 1938. The number of mining employees at copper, gold and silver mines in the district was about the same at the end of April as at the end of March and at the end of April last year. **Flour production** at Minneapolis and at other mills in the Ninth District declined during April but both were higher than in April last year. **Flour shipments** from Minneapolis also declined during April whereas **linseed product shipments** increased, but both flour and linseed shipments were larger than in April 1938. **The cut of lumber** in April was much larger than in the preceding month and in the same month last year. Lumber shipments by manufacturers in April were somewhat smaller than in March although they were one-fourth larger than in April 1938. **The output of copper and gold** was about 10 percent smaller in April than in March and only three-fourths as large as in April a year ago, but the **output of silver** was about as large in April as in March which was one-fifth larger than in April last year.

Other business volume indicators that were higher in April than in April last year were total sales at country lumber yards, sales of new cars in Minnesota and North Dakota, sales of trucks in Minnesota, net telephone installations in the Twin City area, wholesales of electrical goods, paper and tobacco, carloadings of grain and grain products, coal, coke, forest products and ore. Decreases from last year were recorded in life insurance sales, truck sales in North Dakota, and wholesales of automotive supplies and general hardware.

BANKING

Country member bank deposits decreased a little in April, continuing the series of monthly declines that began last December but at the end of April were about $10 million higher than a year ago. Earning assets recovered most of the drop that occurred in March and the average for the latter half of April was higher than for the same period last year. As a result, balances with commercial banks and with us were both lower at the end of April than at the end of March and excess reserves dropped to a little less than $16 million.

City member bank deposits decreased sharply at the end of April as is customary in anticipation of the May 1 money and credits tax date but rose rapidly after that date. The net change for the five-week period ending May 3 was a decrease of only $8 million most of which was in balances due individuals, partnerships and corporations. Loans to customers increased $3 million in that period but other earning assets decreased by nearly twice that amount. Balances with commercial banks were lowered by the amount required to meet the net change in deposit volume. Reserve balances with us were unchanged, resulting in an increase in excess reserves inasmuch as the deposit decline reduced the dollar amount of required reserves.

During the first half of May, deposits increased rapidly but loans to customers and investments both declined with the result that reserve balances with us and balances due from other banks were the highest since early January and excess reserves on May 10 were nearly $32 million, an all time high record.

Bills discounted by this bank for member banks declined a little and **current industrial loans** decreased sharply during the four-week period ended May 17 to levels that were far below those of one year earlier. **Industrial loan commitments** showed no change in the four-week period but on May 17 were one-third smaller than on the comparable date last year. Federal reserve notes in circulation again increased and after May 1 there was a rapid increase in member bank reserves to a "high" of $138 million on May 11 from which point they have gradually declined to $131 million.

AGRICULTURE

Farmers' cash income from seven products (excluding government payments) decreased seasonally in April as a result of the tapering off of the potato and hog marketings. April 1939 incomes from wheat, rye, potatoes and hogs, however, were all higher than a year ago, raising the total for the month to 7 percent above April last year.

The USDA estimate of cash income in March (including government payments and proceeds from commodity credit loans on wheat and corn) were larger than in the preceding month in each state and part state in our district with the exception of South Dakota, but smaller than in March last year in each state with the exception of Montana where the income from wheat was much larger than a year ago.

Agricultural product prices averaged nearly as high in April as in March, the only important declines being in the price of butter, hogs, lightweight stocker & feeder steers and calves. Those declines

were about offset by increases in corn, oats, lightweight butcher steers, lambs & ewes and poultry products. Compared with April last year, grain prices were all lower with the exception of oats; livestock prices were all higher with the exception of hogs and dairy & poultry products and potato prices were higher. The Minnesota farm price index rose one point to 66 in April compared with 76 in April last year.

Farm real estate values again decreased in the year ended March 1 according to the USDA in three of the four complete states in our district. The index for average improved farm land prices in Montana rose one point to 54 equalling the index for 1937 which had been the high point since 1932.

Improved Farm Land Price Indexes by States

(State average 1912-1914 = 100)

	1939	1938	1937	1936	1935	1934	1933	1930
Minn.	86	88	87	85	83	83	79	133
Mont.	54	53	54	53	50	48	48	72
No. Dak.	61	64	67	68	67	68	66	95
So. Dak.	48	51	54	55	54	55	55	93

The 1939 crop outlook in this district is not favorable. Soil moisture reserves are inadequate throughout most of the Great Plains area and the amount of rainfall this spring has been below normal at a great majority of the points from which Weather Bureau records are obtained. There is an unusually heavy infestation of grasshoppers and crickets throughout vast areas in the Dakotas and Montana and the recent dry weather has been favorable for their development.

Receipts of cattle and calves at South Saint Paul declined sharply in April from the 20-year record receipts in March, were smaller than one year earlier and were the smallest in any April since 1935, indicating that the March total had been swelled by receipts that normally would have been marketed in April. During the first four months of 1939, total receipts were about as large as during that period in 1938. *The Beef Cattle Situation* reports that due to the active replacement demand, the slaughter of cows and heifers during the summer months probably will be smaller than a year earlier, and will more than offset the expected increase in steer slaughter. This reduction in total slaughterings will be a factor tending to support cattle prices.

Shipments of stocker and feeder cattle from South Saint Paul were somewhat smaller in April than in March but were half again as large as in April 1938. Feeder shipments during the first four months of 1939 have been about 50 percent larger than in the same period last year.

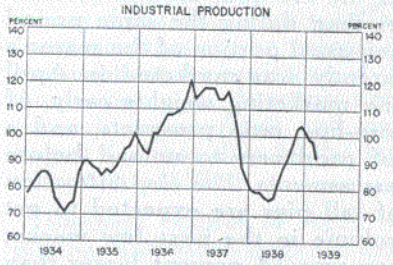
The dairy cow market at South Saint Paul remained firm throughout the month of April. Supplies of good quality cows were limited and good 1100 pound cows brought $75-$85. The price range for April was $40-$85, about $5 below April 1938.

Hog receipts at South Saint Paul declined seasonally during April but were one-fourth larger than a year earlier and the largest in any April since 1934. Receipts during the first four months of 1939 were 9 percent larger than during the same period last year. A larger-than-usual portion of the season's supply of hogs apparently was marketed in April as a result of reaching marketing weights early, of the less favorable corn-hog ratio prospects, and a desire on the part of producers to unload before May 1 to avoid tax assessments. *The Hog Situation* states "Marketings of fall pigs are expected to get underway in large volume in the next few weeks; the 1938 fall pig crop was 18 percent larger than the 1937 fall crop. . . . Hog slaughter during the remainder of the present marketing year, up to October 1, 1939, probably will continue much larger than a year earlier."

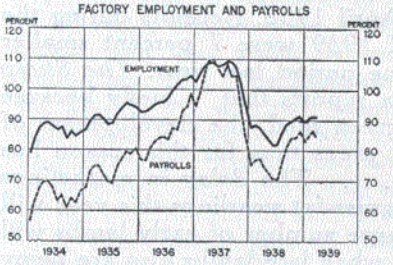
Receipts of sheep and lambs at South Saint Paul decreased seasonally during April but were 12 percent larger than in April 1938. Receipts during the first four months of 1939 were 7 percent smaller than during the same period last year. *The Sheep and Lamb Situation* reports that "Chiefly because of the shortage of green feed, the development of early lambs in most areas thus far this season has been below average. . . . The delay in marketings of early lambs and grass-fat yearlings this year will mean that a fairly large number of early lambs will be ready for market when late lambs also are being marketed in considerable volume."

Commercial hatchings of chicks in the United States during April were larger than a year earlier for the seventh consecutive month and April hatchings were the largest in any month on record. On May 1 the number of young chickens on hand in farm flocks was about 5 percent larger than on that date last year and 14 percent above the 10 year (1928-1937) average. Hatchery production of **turkey poults** in April continued at the high level of the preceding months of this year. Some hatcheries have found it impossible to fill all of the advance orders received which since the first of the year have ranged from 50 to 100 percent larger than those of a year earlier.

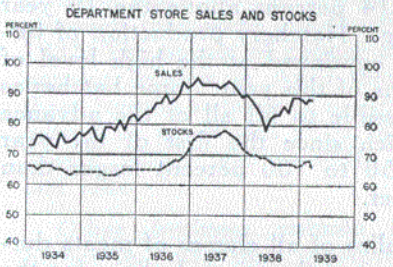
Cold storage supplies of all classes of meats during April failed to record the usual declines for the second consecutive month but did remain well below the May 1 five-year average. Stocks of beef were about one-half as large as the five-year average but only 10 percent below May 1 last year. Pork holdings were 10 percent below normal, but 5 percent above May 1, 1938. Cold storage holdings of lard were practically unchanged during April remaining above the year ago level, but somewhat below the usual volume on that date. Holdings of eggs increased seasonally and were about normal. Supplies of poultry declined less than usual, remaining somewhat above average. Butter holdings (including holdings of governmental agencies) declined about 8 million pounds between April 1 and May 1 in spite of the usual increase at this season of the year, but on May 1 were still more than 7 times as large as the five-year average.



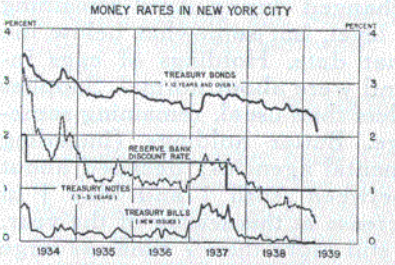
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939.



For weeks ended January 6, 1934, to May 20, 1939.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 25, 1939

The volume of industrial production declined sharply in April reflecting chiefly shutdowns at bituminous coal mines and reduction in activity at textile mills. Retail purchases by consumers were maintained.

PRODUCTION: In April the Board's seasonally adusted index of output at factories and mines was at 92 percent of the 1923-1925 average, compared with 98 in March and 77 a year ago. In the steel industry production declined in April and the first three weeks of May but in the fourth week ingot output increased to 48½ percent of capacity, about the rate prevailing a month earlier. Around the middle of May substantial concessions were made in prices of some types of steel and it is reported that a considerable volume of orders for steel was placed during this period. Automobile production in April was at about the same rate as in March, although there usually is some increase, and in May output declined owing in part to the fact that stocks of new cars were larger than is usual at this time of the year. Plate glass production decreased sharply in April following smaller declines earlier in the year. In the lumber industry output increased somewhat in April, while cement production, which had risen sharply in February and March, showed less than the usual increase.

Textile production declined sharply in April, particularly at woolen mills, where output had been at a high level, and in the silk goods industry where further curtailment reflected in part recent high prices for raw silk. Output of shoes showed a decrease from the high level maintained during the first quarter of this year. At flour mills and sugar refineries activity increased further, while in most other non-durable goods lines changes in output were largely seasonal in character.

Bituminous coal production was in small volume during April and the first half of May as most mines were closed pending settlement of contract negotiations between mine operators and workers. After the middle of May agreements were reached at most mines and output began to increase rapidly. Production of anthracite, which had been reduced in March, increased sharply in April and crude petroleum production rose further. In the first half of May anthracite production was maintained but petroleum output declined somewhat.

The value of construction contracts awarded, according to the F. W. Dodge Corporation, was larger in April than in March, owing chiefly to a rise in awards for public projects. Contracts for private construction showed little change in the aggregate as private residential contracts declined, contrary to seasonal tendency, while contracts for commercial, factory and other private construction increased. In the first half of May awards for private work increased somewhat while the volume of public contracts declined.

EMPLOYMENT: Employment in non-agricultural pursuits declined somewhat from the middle of March to the middle of April reflecting a sharp drop at bituminous coal mines offset in part by seasonal increases in construction and trade. At factories the number employed showed little change while payrolls declined considerably because of fewer hours of work.

DISTRIBUTION: In April distribution of commodities to consumers showed about the usual seasonal increase. The Board's adjusted index of department store sales remained at 88 percent of the 1923-1925 average, about the level that prevailed since last autumn.

Railroad freight carloadings declined sharply owing mainly to a reduction in shipments of coal. Loadings of miscellaneous freight showed less than the usual seasonal rise.

COMMODITY PRICES: Prices of grains and cotton advanced from the middle of April to the third week of May and there were also increases in prices of silk, hides and bituminous coal. Prices of copper and steel scrap, on the other hand, were reduced and substantial concessions were granted in prices of several leading steel products.

BANK CREDIT: Total loans and investments at reporting member banks in 101 leading cities, which had increased in April, declined during the first half of May. The decline was at New York City banks and reflected a reduction in loans to security brokers and dealers and redemption of obligations of New York state and city governments. After increasing substantially in April, demand deposits at banks in leading cities showed little change in the first half of May. Bank reserves increased further in May to a new high level.

MONEY RATES: Prices of United States government bonds and notes increased sharply during the last half of April and the first three weeks of May to new high levels. The average yield on long-term treasury bonds declined from 2.34 percent on April 11 to 2.13 percent on May 22. Other money rates showed little change.