MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

Vol. 7 (Serial No. 320) **Federal Reserve Bank, Minneapolis, Minn.** **August 28, 1941**

Business volume in July resumed its upward trend and was about equal to the high level of 1929. Farm prices and farmers' cash income continued to advance. City bank deposits and July sales at city department stores reached all time highs. Rural bank debits and construction contracts in the district were the largest on record for the month.

BUSINESS

The volume of business in this district as measured by our seasonally adjusted indexes again advanced during the month of July. Although some indexes were slightly below the high May and June levels, all were substantially above July of 1940. The indexes of bank debits at farming centers and of country check clearings both advanced slightly from June and were up approximately 20 per cent from July a year ago. Bank debits at 94 cities declined from June but were the highest for the month since 1929. The index of city department store sales was the highest on record while the country department store index was one point below the all time high reached last May. The lumber sales index was the highest since 1920. The index of city department stores' inventories increased to 123 compared to 116 in June and 108 in July 1940. The total carloadings index advanced from June, due principally to larger shipments of grain, lumber and ore. The index of miscellaneous carloadings also increased and was 23 per cent above July 1940. The Minnesota employment index was 125 per cent of the 1936 average, and the Minnesota farm price index advanced three points to 94, the highest level since July, 1937.

Northwest Business Indexes

Adjusted for Seasonal Variation — 1935-39 = 100

	July 1941	June 1941	July 1940	July 1939
Bank debits—94 cities	125	131	104	105
Bank debits—farming centers	135	133	110	105
Country check clearings	139	137	115	103
City department store sales	131	115	113	106
City department store stocks	123	116	108	105
Country department store sales	124	116	110	103
Country lumber sales	174	124	126	110
Miscellaneous carloadings	126	124	103	98
Total carloadings (excl. Miscellaneous)	141	139	119	95
Employment—Minn. (unadj. 1936=100)	125	121	112	107
Farm Price—Minn. (1924-26=100)	94	91	66	61

Construction contracts awarded in July in this district advanced 25 per cent from June levels and for the first seven months of the year were 47 per cent above the corresponding period in 1940. According to the F. W. Dodge Corporation report, the largest increases occurred in public works and public utilities. Public works contracts in July totaled $4.5 million compared to $3.8 million in June and $2.8 million in July 1940. Public utilities contracts amounted to $2.2 million compared to $400 thousand in June and $200 thousand in July a year ago. This large July increase in public utilities was due largely to construction of air ports, pipe lines and electric light and power facilities. Residential building volume in July was 14 per cent above July 1940. Total awards for seven months of 1941 were $23.0 million compared to the 1940 seven month total of $19.1 million. Non-residential building continued above a year ago and for the first seven months was 10 per cent above the corresponding period in 1940.

The value of building permits issued in 85 cities and suburbs in the district during July totaled $7.1 million, which was a slight increase over June and was 12 per cent above July of 1940. Cities in Minnesota, Montana, and upper Michigan and Wisconsin showed increases over June, while North and South Dakota declined from the high June levels. Each area showed like trends when compared to July, 1940.

Department store sales in the district during July were 14 per cent above July 1940. All sections of the district shared in the increase, and sales for the first seven months were 9 per cent over the corresponding period of 1940. City department store sales were 15 per cent over July 1940, while country store sales showed a 13 per cent increase.

City department store inventories, which normally decline during July, were 1 per cent above June this year and were 14 per cent above July of 1940. Country department store stocks were 9 per cent over a year ago but a small seasonal decline from June occurred.

The volume of production in the district during July continued to expand as was indicated by the following unadjusted business series. Electric power production advanced sharply from June and was 9 per cent above July 1940. The index of Minnesota manufacturing employment increased more than seasonally to a new high of 125 per cent of the 1936 average for July. This was substantially above any other month in our eight-year records. Flour production for the Northwest during July was 3 per cent above June and 2 per cent above July 1940. Linseed oil shipments increased further from the high June level and were nearly 70 per cent larger than in July 1940. The cut of lumber in July was above June and was substantially above July a

year ago. Cattle slaughterings during July were 54 per cent above June and for the first seven months of 1941 were 25 per cent above the corresponding period of 1940. Sheep slaughterings for seven months were 21 per cent above the same period in 1940. Hog slaughterings continue to be less than a year ago.

Iron mining activity as indicated by iron ore shipments from the upper lake ports reached a new all-time peak of 11.4 million tons in July, nearly 3 per cent larger than the previous record established in May this year, and 9 per cent larger than the July 1940 total. Shipments for the four months, April through July, totaled 40.2 million tons compared to 27.7 million tons in 1940. Consumption of iron ore declined slightly from June, but was at the highest level for the month in our records. Iron ore stocks at lower lake docks and furnaces increased in July and totaled approximately 32 million tons on July 31, which was about 4 million tons greater than on July 31 of 1940.

BANKING

Deposits at all banks in the district rose to $1,658 million during the quarter ended June 30, the highest since December 1929. This was an increase of $132 million over June of 1940. Loans to customers increased $84 million during the past year and totaled $627 million on June 30, 1941. Investments, which had declined each year, 1938 through 1940, increased $9 million over June 1940.

City member bank loans to customers continued to expand during the past month and reached the highest level since 1929. On August 13 these loans totaled $236 million compared to $179 million a year ago, an increase of $57 million. Investments were also above a year ago and totaled $235 million on August 13 which was an increase of $26 million over August 1940. Government obligations, particularly Treasury Bills and Government guaranteed items, have accounted for all the increase in investments, since other stocks, bonds and securities were $2 million less than a year earlier. Demand deposits increased $6 million during the past month to an all-time high of $574 million. This compares with $501 million of demand deposits a year ago. Time deposits again declined during the period and were $5 million less than in August 1940. Total deposits increased $68 million over a year ago while reserves with us increased only $5 million, thereby reducing excess reserves to $32 million, or $11 million below August, 1940. Balances with other banks have also been reduced by $26 million from August, 1940.

Country member bank deposits during the latter half of July were the highest in our five-year records. The July 16 to 31 average of total deposits was $554 million compared to $509 million a year ago. This $45 million increase in total deposits over a year ago was partially accompanied by an increase of $3 million in reserves with us and an increase of $14 million due from other banks, while earning assets increased $27 million.

Time deposits declined slightly for the third consecutive month. Excess reserves were again below a month ago and reached the lowest level since October, 1940.

AGRICULTURE

Farmers' cash income from marketings in July was estimated by us to be above June and was substantially higher than in July, 1940. The larger income was due principally to larger receipts from the sale of hogs and dairy products which resulted in the main from higher prices.

The Bureau of Agricultural Economics reports that 1941 farm prices which average nearly 20 per cent over 1940, associated with the high production for the year, may produce a twenty year record cash income from farm marketings. They estimate that wheat income will be 50 per cent above any year since 1937.

Wheat loans made to Northwest farmers by the Commodity Credit Corporation have become an important source of cash farm income. Approximately 64 per cent of the 1940 wheat crop available for sale in the Dakotas, Montana and Minnesota was covered by a crop loan. The volume and distribution of these loans are presented in the table below.

Volume of Commodity Credit Corporation 1940 Wheat Crop Loans in Montana, Minnesota and North and South Dakota by Months

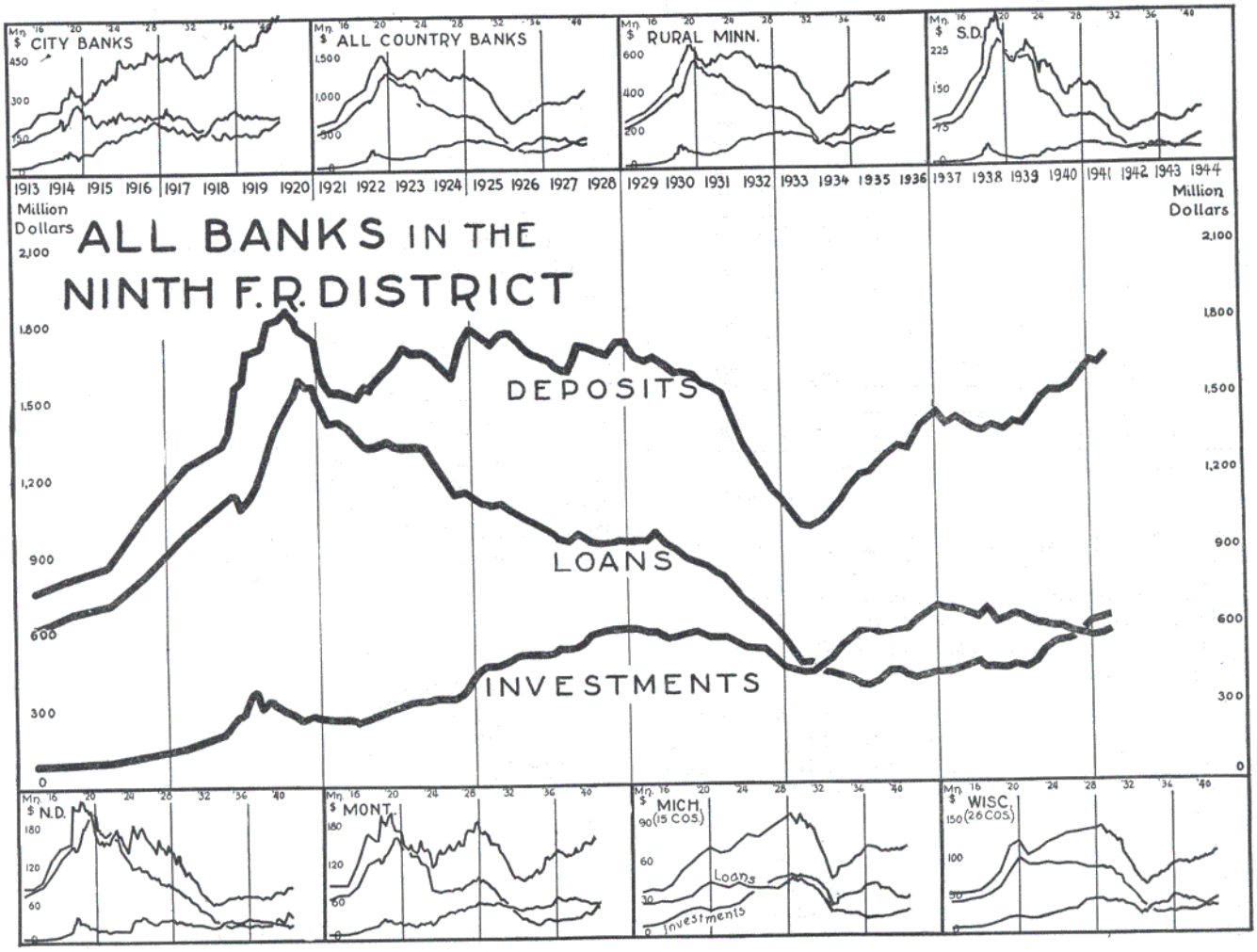
Thousand Dollars

July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Total
56	5,731	27,388	24,892	15,676	6,166	2,587	82,496

Since marketing quotas are now in effect over the entire crop, officials of the Commodity Credit Corporation expect that a larger proportion of the 1941 wheat crop may enter into the Loan Program.

Agricultural product prices in general continued upward during July. The slight decline in some grain prices was more than offset by further advances in most livestock and livestock product prices, while all agricultural prices were substantially above July of 1940. Prices of hogs, butcher steers, and veal calves showed gains over June. Veal calves reached $11.00, which was the highest price paid since 1930. The July hog price was $10.75 compared to $9.80 in June and $6.15 in July 1940. Butter and wool prices remained unchanged from June while poultry and egg prices showed slight increases. Milk advanced to $1.99 per hundredweight and was the highest July price since 1930. Dairy cow prices continued high with the bulk of the sales ranging from $65 to $85 per head.

Receipts of cattle at South St. Paul continued large in July, and for the first seven months of 1941 were 6 per cent above the corresponding period of 1940. During the first seven months of 1941, calf receipts were 2 per cent below the first seven months of 1940. Since the number of cattle on farms is



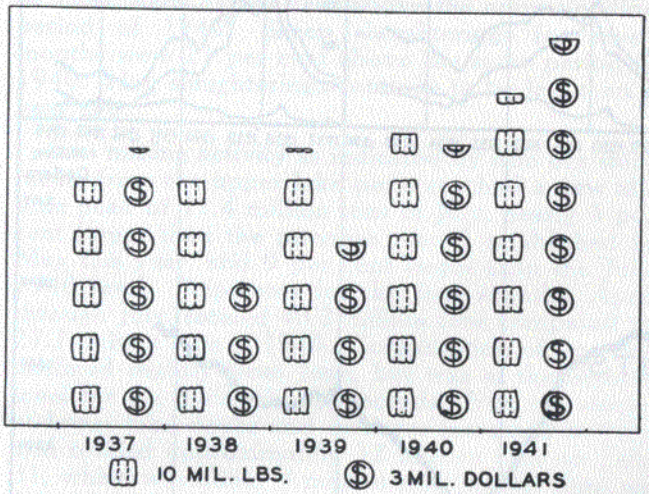
larger than a year ago, the smaller volume of calf sales may be indicative of farmers' intentions to further increase their herds. South St. Paul hog receipts continued about 18 per cent below receipts of a year ago. The average weight of all hogs marketed at South St. Paul increased for the eighth consecutive month. The July average weight of 294 pounds was the highest monthly average on record and compares with a usual July average of approximately 278 pounds. The heavier weight of hogs marketed reflects the abundant supply of feed on farms and also the favorable hog prices. Sheep and lamb receipts increased seasonally and for the first seven months of 1941 they were 14 per cent above the corresponding period in 1940.

Feeder and stocker cattle and calves shipments from South St. Paul increased seasonally in July, but shipments January through July were approximately 10 per cent below the corresponding period in 1940. Although feeder and stocker shipments are below last year, the Agricultural Marketing Service reports the number of cattle on feed in the Corn Belt on August 1 to be 17 per cent greater than one year ago. This is the largest relative increase since 1928 and probably represents one of the high years for cattle feeding operations. A year ago the price advantage was in favor of heavy steers, but at the present time steers weighing 1,300 to 1,500 pounds are selling at prices 25 to 50 cents lower than lighter steers of comparable quality.

The 1941 wool crop of approximately 65 million pounds for the Ninth District was 11 per cent above 1940 and represents the largest wool production on record. This large wool crop was due to increases in the number of sheep shorn and to a heavier average fleece weight per sheep. This high production associated with the highest wool price per pound since 1928 has produced a record cash income of approximately $23 million. This was an increase of 37 per cent over the 1940 cash income from wool and was more than double the ten-year average, 1930-39.

The large increases in cash income from wool each year since 1938 are due principally to the increases in the price of wool. Variations in wool production from year to year are slight compared to the fluctuations that occurred in cash income from wool. This comparison is graphically illustrated in the chart presented below.

Production and Cash Income from Wool for the Ninth Federal Reserve District by Years 1937-41



The July 1 Lamb Crop Report released by the United States Department of Agriculture indicates the lamb crop for 1941 set a new high record. The 1941 estimate for the United States was 34,549,000 head compared to 32,885,000 in 1940—an increase of 5 per cent.

The Ninth District lamb crop in 1941 was 5,448,000 head, and was 12 per cent above the 1940 crop of 4,878,000 head. This year's lamb crop represents an 18 per cent increase above the ten-year average, 1930-39.

The Livestock Situation reports that favorable feed conditions in range states "will tend to increase the supply of lambs for slaughter during the summer and fall over corresponding months of 1940. Because of improved consumer demand, prices are expected to average higher than in the corresponding months of 1940."

Cold storage holdings of perishable commodities in the United States on August 1 were well above the usual holdings for the month. Holdings of butter and cheese increased more than seasonally during July, and on August 1 were approximately 40 per cent above the August 1 five-year median. Although storage holdings of total meats declined seasonally, holdings of each kind of meat were considerably above the five-year median for August 1. Pork in storage showed the largest decrease and dropped from 704 to 619 million pounds, but was still above the usual August 1 holdings. Lard in storage decreased 40 million pounds during July to 334 million pounds on August 1 which was more than double the usual holdings for the month.

The United States Department of Commerce has released Census bulletins by states which present data from the 1940 Census of Agriculture. A comparison of the Agricultural Census reports for the years, 1920, 1930 and 1940 show a number of interesting changes that have occurred in the states of the Ninth Federal Reserve District during the past twenty years.

The total number of farms in the Ninth Federal Reserve District has decreased slightly between 1930 and 1940. However, in Minnesota and in the portions of Wisconsin and Michigan included in the Ninth District, the number of farms has increased. This increase is more than offset by consolidations of farms in the states of Montana and North and South Dakota.

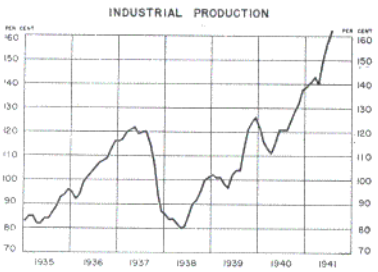
The larger number of farms in Minnesota in 1940 was due principally to an increase in the number of small farms of less than 50 acres. Many of these farms were established in the early thirties when industrial employment was at a low level. The decrease in Montana and North and South Dakota was due largely to a decrease in the number of farms 200 to 400 acres in size which are below the average for this area.

The average size of farms in Minnesota, Michigan and Wisconsin has fluctuated only slightly during the period 1920 to 1940. However, in the states of Montana and North and South Dakota the farm size has increased materially. The tracts of land homesteaded by early settlers in this area proved too small to be operated as an economical farm unit and have therefore been consolidated into larger farms. In Montana the number of farms that were 260 to 499 acres in size, decreased from 23,576 to 7,817 between 1920 and 1940. The average size farm in Montana has increased from 608 acres in 1920 to 1,110 acres in 1940. Smaller increases occurred in North and South Dakota.

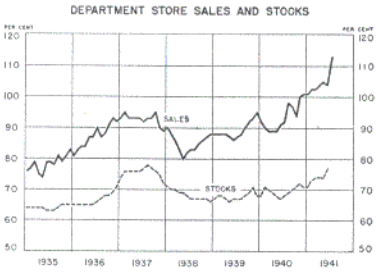
The per cent of the farmers that are tenants has steadily increased since 1920 in all states in the district. For the district as a whole tenancy increased from 23 per cent to 35 per cent. Most of the increase in the number of tenant operators occurred in the states of Minnesota, North Dakota and Wisconsin, while the number of tenant operators remained about the same in South Dakota, Montana and Michigan.

Farm Census Statistics for the Ninth Federal Reserve District by States

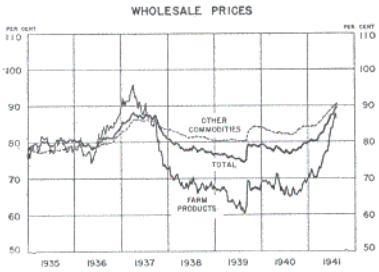
	1940	1930	1920
Number of Farms:			
Michigan (15 counties)	13,887	13,087	12,317
Minnesota	197,351	185,255	178,478
Montana	41,823	47,495	57,677
North Dakota	73,962	77,975	77,690
South Dakota	72,454	83,157	74,637
Wisconsin (26 counties)	54,860	51,055	51,300
Ninth Fed. Res. District	454,337	458,024	452,099
Average Size of Farm—Acres			
Michigan (15 counties)	97	96	96
Minnesota	165	167	169
Montana	1,110	940	608
North Dakota	513	496	466
South Dakota	545	439	464
Wisconsin (26 counties)	122	122	119
Per Cent of Tenancy:			
Michigan (15 counties)	9	9	8
Minnesota	3	31	25
Montana	28	24	11
North Dakota	45	35	26
South Dakota	53	45	35
Wisconsin (26 counties)	20	16	10
Ninth Fed. Res. District	35	31	23



Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to July 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to July 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ended August 16, 1941.

Wednesday figures, January 2, 1935 to August 13, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AUGUST 20, 1941

Industrial activity in July and the first half of August was maintained at the high level reached in June. Wholesale commodity prices advanced further and distribution of commodities to consumers was in exceptionally large volume.

PRODUCTION: Volume of industrial output showed little change from June to July. Reductions in activity at automobile factories and steel mills were largely offset in the total by further increases in the machinery, aircraft, shipbuilding, and lumber industries. The Board's adjusted index, which includes allowance for a considerable decline at this season, advanced from 157 to 162 per cent of the 1935-1939 average.

Steel production, which in June had been at about 98 per cent of capacity, declined to 96 per cent in July, owing in part to holiday shutdowns at some mills. In the first half of August steel output was again at about 98 per cent of capacity. Automobile production in July declined less than usual but in the first half of August there was a sharp reduction as most plants were closed to prepare for the shift to new model production. Activity in the nonferrous metals industries continued at a high rate. Early in August copper, pig iron, and all forms of steel were placed under complete mandatory priority control as it became evident that actual demand for these metals could not be fully met.

In the wool, cotton, and rayon textile industries and at shoe factories activity in July was maintained at or near the peak levels of other recent months and production of chemicals rose further. Output of manufactured foods increased less than seasonally from the high level reached in June.

Coal production declined slightly in July but as in June was unusually large for this time of year. Crude petroleum production was maintained at about the high rate that had prevailed in the previous two months.

Value of construction contract awards in July increased further to a level more than two-fifths higher than a year ago, according to F. W. Dodge Corporation reports. The rise reflected chiefly a continued increase in contracts for public construction, mostly defense projects. Private residential building contracts increased somewhat, although there is usually some decline at this season, while awards for other private building declined further from earlier high levels.

DISTRIBUTION: Sales at department stores and in rural areas declined by much less than the usual seasonal amount in July and variety store sales increased further. In the first half of August department store sales rose sharply.

Total loadings of revenue freight in July and early August showed little change from the advanced level reached in June. Grain shipments, which had been larger than usual in May and June, increased less than seasonally and loadings of coal declined somewhat.

COMMODITY PRICES: The general index of wholesale prices advanced about 2 per cent further from the middle of July to the middle of August, reflecting sharp increases in prices of a number of agricultural and industrial commodities. Federal action to limit price increases was extended to additional basic materials, including burlap, silk, rayon fabrics, rubber, and sugar, and in the early part of August prices of these commodities in domestic markets showed little change or were reduced. On the other hand, prices for paper-board, automobile tires, and cotton yarns and gray goods were advanced with Federal approval; prices of textile products not under Federal control continued to rise; and there were considerable increases in prices of lumber, other building materials, and chemicals. On August 16 it was announced that for Southern pine maximum prices somewhat below recent high levels would become effective on September 5.

AGRICULTURE: Agricultural production in 1941 may exceed that in any previous year, according to indications on August 1, and carryovers of major crops are unusually large. Crops of wheat and other leading foodstuffs are expected to be exceptionally large, while substantial declines in production are indicated for the major export crops—cotton and tobacco. Although the cotton crop is estimated at 10,600,000 running bales, or 1,800,000 bales less than last season, total supplies of cotton will be about the same owing to a larger carryover on August 1. Marketings of livestock and livestock products, except hogs, will be substantially above last year.

BANK CREDIT: Total loans and investments at reporting banks in 101 leading cities rose further during the five weeks ended August 13. Commercial loans continued to increase substantially, while holdings of United States Government obligations showed little change. Bank deposits remained at a high level.

UNITED STATES GOVERNMENT SECURITY PRICES: After advancing to the highest levels on record, prices of both taxable and partially tax-exempt Treasury bonds declined somewhat in the first part of August. On August 15 the partially tax-exempt 2¾ per cent 1960-65 bonds yielded 2.06 per cent, compared with the all-time low of 2.02 per cent on July 29. Yields on Treasury notes showed little change in the period.