MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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Business activity during September declined somewhat but continued near the high level reached in August. Retail trade in the district was 22 per cent over a year ago in dollar amount. Member bank loans to customers were at the highest level since 1930. Deposits at member banks reached a new high of $1,275 million. Farm product prices advanced during September. Farmers' cash income from hogs was 75 per cent greater than in September 1940.

BUSINESS

September business volume in the Northwest as measured by our seasonally adjusted indexes, although slightly below the high August level, was at the highest September volume since 1929. While most of the indexes registered slight declines, the index of bank debits at 94 cities in the district advanced one point to 132, the highest September level since 1929 and the highest level for any month since February 1930. The indexes of retail trade at both city and country department stores declined sharply from the unusually high August level but were at the highest September levels on record. The country lumber sales index declined from the high July and August levels but was well above September a year ago. Difficulty in obtaining certain building materials has probably been indirectly responsible for part of the decrease. The indexes of both miscellaneous and total freight carloadings declined slightly from August but were at the highest September levels since 1929 and 1930 respectively. Minnesota employment declined from the preceding month for the first time this year. The two point decline in September was attributed by the Minnesota Division of Employment and Security to limited supplies of raw materials available for some firms.

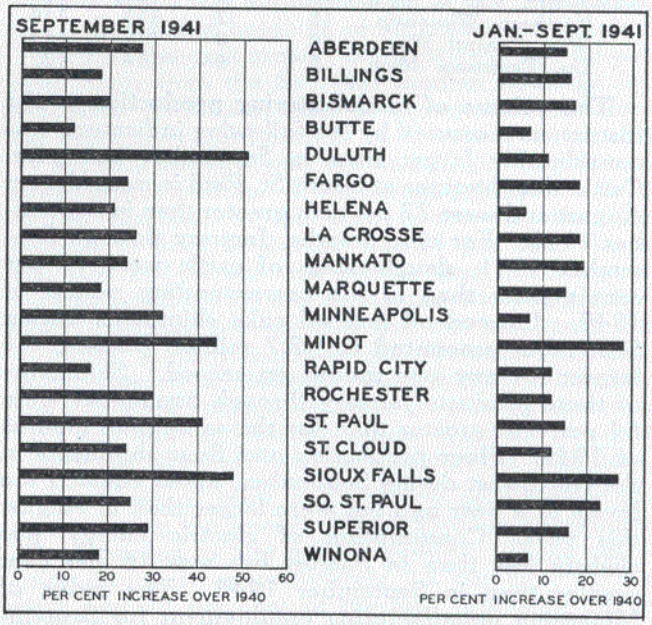
Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	Sept. 1941	Aug. 1941	Sept. 1940	Sept. 1939
Bank Debits—94 cities	132	131	104	108
Bank Debits—farming centers	144	146	119	111
Country check clearings	141	146	115	108
City department store sales	124	145	101	110
City department store stocks	126	121	108	104
Country department store sales	126	140	103	116
Country lumber sales	145	168	126	118
Miscellaneous carloadings	126	130	110	104
Total carloadings (excl. miscellaneous)	130	132	127	112
Employment—Minn. (Unadj. 1936=100)	126	128	115	109
Farm Prices—Minn. (1924-26=100)	92	84	63	68

Construction contracts awarded in the district dropped sharply from August and were also below September a year ago. Most of the $3.6 million decrease from a year ago was due to the smaller volume of public works construction, although nonresidential building was also somewhat below September last year. Residential building declined from August and was only slightly greater than in September last year. However, for the first nine months of 1941 residential building in the district was 18 per cent above the corresponding period of 1940. The F. W. Dodge Corporation reports that defense contracts represented 31.8 per cent of the $3,888 million spent for construction in "37 eastern states" during the period January through August this year.

The value of building permits issued during September in 85 cities and suburbs was slightly below the volume in September a year ago. However, for the period January through September, the volume was 9 per cent greater than during the same months of 1940. Minneapolis suburbs showed an increase of 41 per cent over 1940 for the nine month comparison and during September the volume was 14 per cent larger than for September 1940. The value of permits issued in cities in the upper peninsula of Michigan also showed a large increase over 1940, both for the month and for the year to date.



Percentage Comparisons of Check Payments at Selected Cities in the Ninth Federal Reserve District

City department store sales during September were 22 per cent larger than for the same month a year ago. This represents the largest 1941 monthly gain over the corresponding month a year ago. However, the seasonally corrected index declined from 145 in August to 124 in September. Stocks at city department stores increased over last month and were 17 per cent larger than in September last year.

Country department store sales also increased 22 per cent over September a year ago to register the largest monthly gain over 1940. All sections shared in the increases with the largest gains occurring in North and South Dakota. Nevertheless, the rural sales index showed a decline from August about parallel with the decline in the larger centers.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Sept. 1941 of Sept. 1940	Cumulative % 1941 of 1940
Total District	262	22	122	111
Mpls., St. Paul, Dul.-Sup.	23	0	122	112
Country Stores	239	22	122	110
Minnesota	78	5	122	109
Central	9	1	118	109
Northeastern	9	0	120	111
Red River Valley	5	1	118	110
South Central	23	1	126	109
Southeastern	14	0	120	109
Southwestern	18	2	123	108
Montana	35	8	115	108
Mountains	11	2	112	109
Plains	24	6	116	107
North Dakota	43	4	130	111
North Central	9	0	136	111
Northwestern	7	0	132	120
Red River Valley	15	2	131	106
Southeastern	12	1	123	111
Red Riv. V.-Minn.-N. D.	20	3	128	107
South Dakota	27	3	131	115
Southeastern	9	0	130	116
Other Eastern	12	1	134	114
Western	6	2	124	103
Northern Wis. & Mich.	56	2	121	112
Northern Wisconsin	18	2	113	110
West Central Wis.	30	0	126	113
Up. Peninsula Mich.	8	0	114	107

The volume of manufacturing production in the district, as measured by the following indicators, was considerably larger than in September last year. Cattle slaughterings at South St. Paul increased over August and were 27 per cent greater than in September 1940. For nine months, January through September 1941, slaughterings of cattle were 11 per cent greater than in the corresponding period of 1940. Linseed oil and oil cake shipments during September amounted to 67.7 million pounds, the largest for any one month on record. Shipments of these products January through September were 64 per cent greater than for the same nine months of 1940. Flour production and flour shipments in the Northwest during September, about equaled the levels of a year ago but were larger than in August this year. Consumption of electric energy was slightly less than in August but was 16 per cent greater than in September 1940. The index of Minnesota manufacturing employment for September declined but was 11 points above September a year ago. The decrease from August was attributed to the close of the busy canning season and to the difficulty a number of firms are having in obtaining raw materials. However, payrolls increased slightly over August.

Shipments of iron ore from upper lake ports declined slightly from the high August level but were above September a year ago. Shipments, April through September, amounted to 62 million tons compared to 48 million for the same period in 1940, an increase of 29 per cent. Although consumption of iron ore exceeds that of a year ago, the large ore movements this year have maintained stocks at record levels at lower lake docks and furnaces. Copper and silver mining activity declined from August and the output was also slightly less than in September a year ago. Gold production during September was greater than in August and was also above September a year ago. The number of employees engaged in gold, silver and copper mining was 12 per cent greater than in September 1940.

Other business activity indicators that showed advances over September a year ago included net telephone installations, life insurance sales, wholesale trade, and shipments of coal, coke, forestry products, and less than carload lots of freight. The valuation of business failures was greater than a year ago but the number of insolvent firms decreased. Automobile sales were also below September a year ago.

BANKING

Deposits of all member banks in the Ninth Federal Reserve District increased $62 million during the first nine months of 1941, to reach a new high of $1,275 million on September 24, 1941. At the same time there was a $56 million expansion of loans and discounts which totaled $473 million on September 24, the highest level since 1930. Holdings of United States Government bonds also increased and were $26 million larger than on December 31, 1940, while the amount of other investments declined slightly.

City member bank loans to customers on September 24, 1941 amounted to $255 million, compared to $211 million on December 31, 1940—an increase of $44 million. Investments in United States Government bonds and guaranteed obligations also increased $19 million while investments in other securities declined $2 million. Demand deposits increased $41 million during this period but time deposits declined $6 million.

During the three week period, September 24 to October 15, total deposits at city member banks increased further to $731 million which was $89 million larger than on October 16, 1940.

Deposits at country member banks also increased but the expansion was not as great as at city banks. Country member bank deposits totaled $576 million on September 24, 1941 compared to $548 million on December 31, 1940. Loans to customers

and holdings of United States Government bonds increased moderately since the first of the year, while other investments declined slightly. The increase in loans and investments of country member banks has increased their earning assets about $31 million during the past nine months.

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

	Member Bank Reserve Deposits	Required Reserves	Excess Reserves
	Thousands of Dollars		
Country Banks	$ 61,667	$ 36,833	$ 24,834
City Banks	109,164	77,609	31,555
Ninth District (1941)	$170,831	$114,442	$ 56,389
Ninth District (1940)	$161,589	$ 96,197	$ 65,392

To lend assistance to the Government's program to prevent inflation, the Board of Governors of the Federal Reserve System after consultation with the Secretary of the Treasury, increased reserve requirements for member banks to the maximum level effective November 1, 1941.

Member Bank Reserve Requirements

(Per Cent of Deposits)

Classes of Deposits and Banks	Present Requirements	New Requirements
On Net Demand Deposits:		
Central Reserve City Banks	22¾	26
Reserve City Banks	17½	20
Country Banks	12	14
On Time Deposits:		
All Member Banks	5	6

AGRICULTURE

Farmers' cash income estimated on the basis of receipts from seven important farm commodities declined from August but was substantially above September 1940. The decline from August was due to smaller receipts from the sale of grain and dairy products. Hog receipts showed a 75 per cent increase over the same month a year earlier while dairy receipts and cattle receipts were also larger than in September last year.

The United States Department of Agriculture estimates cash farm income in the Ninth Federal Reserve District for the period January through August 1941 to be approximately 15 per cent above the corresponding period in 1940. The same comparison for the United States as a whole showed a 20 per cent increase over 1940. According to this same source, the percentage increase in cash income from livestock in the Northwest has been about the same as for the entire nation, but crop returns in this district have not kept pace with other sections which accounts for the smaller total increase in this district.

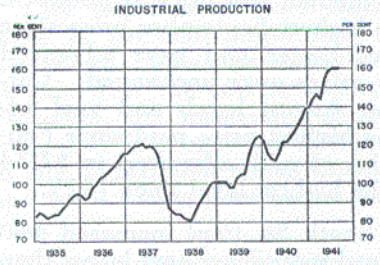
Agricultural product prices again advanced during the month of September and reached levels higher than in any recent year. All grain prices shared in the advance and wheat reached the highest price since February 1938. Flax advanced nine cents to $2.00 which was 51c above the September price last year. The median hog price at South St. Paul was $11.65, the highest September price since 1926. The prices of butter and eggs advanced slightly while poultry prices were unchanged. Cattle prices remained at August levels and veal advanced to $11.50, the highest price paid since February 1930. The price of milk advanced to $2.34 per hundredweight, the highest level since 1929.

Cattle receipts at South St. Paul increased seasonally from August and were 7 per cent larger than in September a year ago. Calf marketings also increased during September and were 6 per cent larger than in the corresponding month a year earlier. In each of the months, April through August, calf receipts were smaller than in the corresponding month of 1940 and for the nine months calf receipts were 2 per cent below the same period a year ago. The number of hogs marketed at South St. Paul during September was 8 per cent less than in September 1940, but part of the decline in number was offset by the heavier average weight of hogs sold. The average weight during September was 247 pounds compared to 238 a year ago.

Feeder cattle shipments from South St. Paul increased seasonally and were slightly above September last year, but for nine months the shipments were 5 per cent less than in the same period of 1940. According to the Agricultural Marketing Service, shipments of feeder cattle to the corn belt states January through August 1941 were about 14 per cent less than in the same period of 1940. Shipments of feeder lambs and sheep into the corn belt were about 10 per cent less than a year ago. Part of this decrease is thought to be due to the excellent range feed conditions in western states.

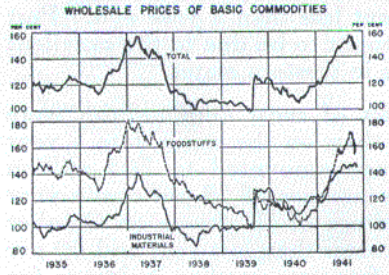
Cold storage stocks of most commodities were larger on October 1 than on the same date a year ago. Butter in storage amounted to 203 million pounds which was an increase of 58 per cent a year ago. Combined holdings of all cheese on October 1 were 25 per cent greater than last year and 60 per cent larger than the five-year median holdings for that date. Stocks of meat in storage declined during September but holdings on October 1 were still 19 per cent above a year ago and 27 per cent above the five-year median. Even though pork prices have almost doubled in the past twelve months, the amount of pork in storage was 11 per cent above last year and 22 per cent greater than the five-year median holdings. Lard in storage was slightly below a year ago but was two and one-half times the five-year median holdings for October 1. The larger number of chickens raised this year than last has increased storage holdings of poultry above a year ago and on October 1 they were 53 per cent above the five-year median holdings for that date.

Purchases of pork and lard for government account during the period, March through September 13, amounted to 500 million pounds. These quantities represent approximately 13 per cent of the pork and 29 per cent of the lard produced under Federal inspection during this period.

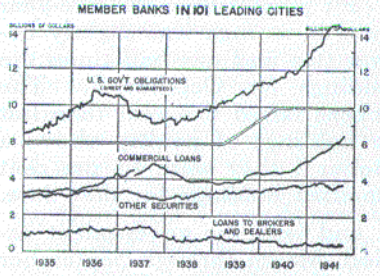


Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to September 1941.

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



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to October 9, 1941.



Wednesday figures, January 2, 1935 to October 8, 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, OCTOBER 20, 1941

Industrial activity continued at a high rate in September and the first half of October. Further advances in the output of defense products were accompanied by curtailment in some lines of civilian goods, particularly automobiles, rubber, and silk. Prices of industrial products increased further but agricultural prices declined after the middle of September, and on October 16 dropped sharply in response to international developments.

PRODUCTION: Industrial output increased by about the usual seasonal amount in September and the Board's adjusted index remained at 160 per cent of the 1935-1939 average, the same as in July and August. Continued increases in activity were reported in the machinery, aircraft, and shipbuilding industries. At steel mills activity in September and the first half of October was maintained at about 97 per cent of capacity. Output and deliveries of nonferrous metals likewise remained at about capacity levels, while lumber production declined somewhat from the high August rate. Automobile production increased less than seasonally in September, following the changeover to new models, and, according to preliminary estimates, output in September was considerably below the maximum quota that had been authorized by the Government. In the textile industry activity declined somewhat in September, reflecting mainly a further sharp reduction at silk mills. Activity at wool mills rose to a new high level, while at cotton mills there was little change from a rate slightly below the peak reached last May. Shoe production continued in large volume, and output of manufactured food products was maintained near the peak August level. Output of chemicals likewise continued at earlier high rates, but at rubber plants activity was considerably below the level of last summer owing to curtailment programs ordered by the Government. Coal production, which during the summer months had been unusually large, increased less than seasonally in September, owing in part to temporary work stoppages at some bituminous and anthracite mines. Crude petroleum production advanced to record levels in September and the first half of October, and output of metals and shipments of iron ore down the Lakes continued at about capacity.

Value of construction contract awards declined in September, according to figures of the F. W. Dodge Corporation, reflecting chiefly decreases in awards for public projects which had been exceptionally large in August. Awards for private residential building also declined, while contracts for other private work increased somewhat further. Total awards in September, as in August, were 80 per cent larger than in the corresponding period last year. This higher level reflected mainly a greater amount of public construction, which was nearly three times as large as a year ago, compared with an increase of about 10 per cent for private construction.

On October 9, the Supply Priorities and Allocations Board announced that, effective immediately, no public or private construction projects which use critical materials could be started during the emergency unless these projects were either necessary for direct national defense or essential to the health and safety of the nation.

DISTRIBUTION: Distribution of general merchandise showed less than the customary seasonal rise in September, following an unusually large volume of sales in August. During the past three months sales have been larger than in the corresponding period of any previous year. In the first half of October sales at department stores declined from the peak reached in late September when there were considerable consumer purchases, particularly of articles subject to higher taxes on October 1. Loadings of revenue freight in September increased less than seasonally, particularly those of miscellaneous freight, which have been high in recent months, and loadings of coal, which were curtailed during part of the month by work stoppages at some mines. Shipments of forest products declined considerably from the high August level.

COMMODITY PRICES: Prices of industrial products continued to advance in September and the first half of October and Federal price ceilings were announced for additional commodities, including leading types of lumber, coke, wastepaper, paperboard, acetic acid, alcohols, and carded cotton yarns. In some cases these ceilings were below previously existing market quotations. Price advances were permitted, however, for some other commodities under Federal control. Prices of cotton and of foodstuffs increased further in the first half of September, but subsequently declined, owing partly to seasonal influences. On Thursday, October 16, prices of these commodities dropped sharply.

BANK CREDIT: Commercial loans at member banks continued to rise during September and the first half of October, reflecting in part defense demands. Increases were substantial both in New York and in other leading cities. Holdings of United States Government obligations decreased, mainly at banks in leading cities outside of New York. Excess reserves of member banks showed little change in this period.

UNITED STATES GOVERNMENT SECURITY MARKET: Following a slight decline in the first half of September, prices of long-term Treasury partially tax-exempt bonds increased during the latter half of September and in the first part of October. The yield on the 2¾ per cent bonds of 1960-65 reached a new record low of 2.01 per cent in October. Prices of taxable bonds moved within a relatively narrow range during the period with yields slightly above previous low levels.