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

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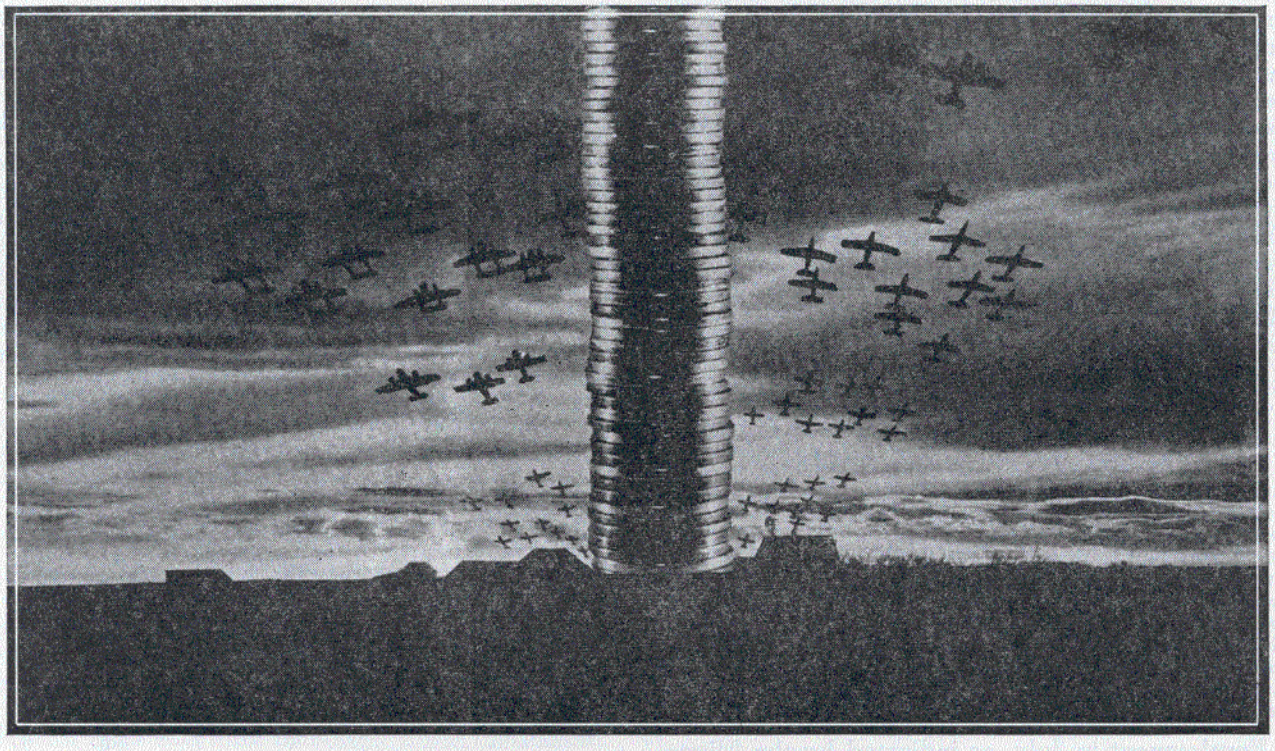
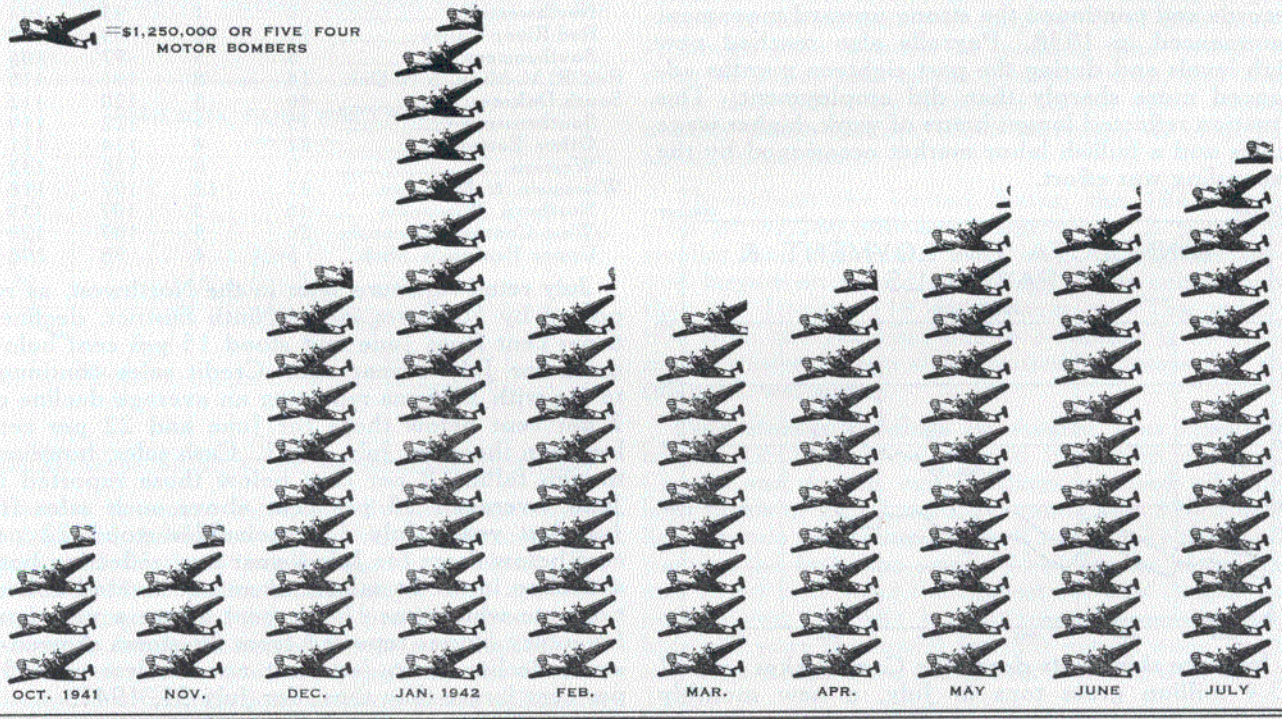


YOUR BOND DOLLARS IN FIGHTING TERMS

(SALES OF SERIES E BONDS IN MINN., MONT., NO. AND SO. DAKOTA)



Business activity continued lower than earlier in the year but was at the highest July level on record. Bank loans declined further. Farmers' cash income was 27 per cent larger than a year ago.

BUSINESS

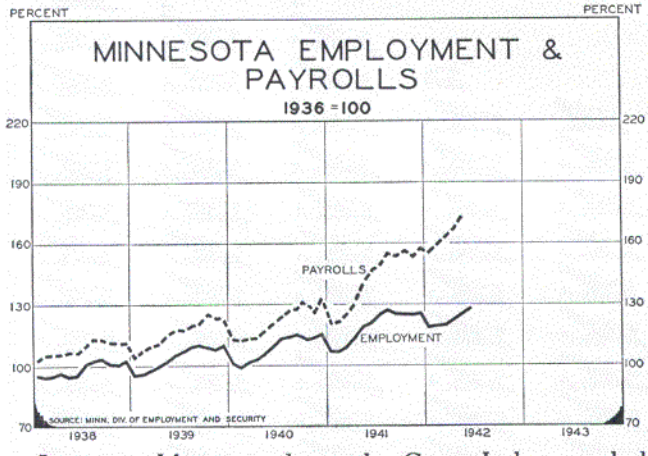
Business activity in the Ninth District showed mixed trends during July and continued to be somewhat lower than during the first quarter of the year but was nevertheless at the highest level for that month on record. The bank debits at farming centers and country check clearings indexes advanced from the June level and were at the highest point on record. The index of bank debits at 94 cities declined somewhat because of less-than-usual increases in Minneapolis and South St. Paul. Sales at both city and country department stores increased more than seasonally but were nevertheless at a lower relative level than earlier in the year. Country lumber sales also increased from June but were well below July, 1941. Miscellaneous carloadings increased during July while other carloadings declined but both were at about the same level as one year earlier.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	July 1942	June 1942	July 1941	July 1940
Bank debits—94 cities	138	143	125	104
Bank debits—farming centers	151	146	135	110
Country check clearings	154	151	139	115
City department store sales	133	117	131	113
City department store stocks	182	171	119	103
Country department store sales	128	119	124	110
Country lumber sales	142	110	176	126
Miscellaneous carloadings	126	118	126	103
Total carloadings (excl. miscellaneous)	140	143	141	119
Farm Prices—Minn.	145	145	121	87
Employment-Minn. (Unadj. 1936 = 100)	130	128	126	112

Employment in July, as indicated by the Minnesota Division of Employment and Security index, reached the highest level attained in our 8-year records and continued the strong upward movement commenced in 1938. Payrolls also reached new high levels and during the past eighteen months advanced more sharply than did employment. This situation reflected longer hours of work, higher wage scales and a bullish labor market occasioned by the expanding war effort.



Iron ore shipments down the Great Lakes totaled 13.4 million gross tons in July, a new monthly record. For the current season to August 1, ore shipments totaled 47.4 million tons, 18 per cent higher than in the comparable period last year.

The War Production Board has approved a $20 to $30 million program providing for an alternate route across the Upper Peninsula of Michigan, supplementary to the present one through the Soo Locks, which when the improvements are completed will be adequate to handle the shipment of 100 million tons of ore annually.

City department store sales during July were 2, and country store sales 3 per cent above those for July a year ago, thereby continuing to narrow the monthly percentage increase over last year's sales volume. Throughout the Ninth District, only South Dakota stores reported substantial sales gains with July sales there averaging 20 per cent above year ago figures. Retail sales volume in the Northwest for the first seven months of 1942 stood 9 per cent above that for the like period a year ago.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% July 1942 of July 1941	Cumulative % 1942 of 1941
Total District	222	69	102	109
Mpls., St. Paul, Dul.-Sup.	20	3	102	109
Country Stores	202	66	103	109
Minnesota	56	18	101	110
Central	7	2	107	117
Northeastern	4	3	91	104
Red River Valley	3	2	106	121
South Central	18	3	111	119
Southeastern	9	3	99	105
Southwestern	15	5	97	107
Montana	24	14	94	97
Mountains	6	7	90	97
Plains	18	7	97	97
North Dakota	29	17	97	107
North Central	4	4	95	113
Northwestern	6	1	93	104
Red River Valley	11	6	99	107
Southeastern	8	5	97	106
Red R. V.-Minn. & N. Dak.	14	8	101	110
South Dakota	46	5	120	112
Southeastern	15	1	122	110
Other Eastern	22	4	114	111
Western	9	0	136	132
Wisconsin & Michigan	47	12	107	118
Northern Wisconsin	16	3	107	119
West Central Wisconsin	26	5	109	120
Upper Peninsula Mich.	5	4	98	108

July retail furniture sales in the Northwest, as reported by 50 stores in the Ninth District, declined 6 per cent from June and stood 15 per cent below those for July a year ago. Credit sales continued to lag with 39 firms reporting an average decline of 7 per cent below those for June and 22 per cent less than those for July, 1941. Cash sales, however, though falling 8 per cent below those reported in June, averaged 58 per cent above such sales for July last year. July 31 receivables stood 22 per cent below those for July a year ago, reflecting both a decline in credit sales and an accelerated collection rate which was 16 per cent above a year ago. Inventory figures reported from 29 stores showed a small decline from June but nevertheless were 38 per cent larger than those for July 31, 1941.

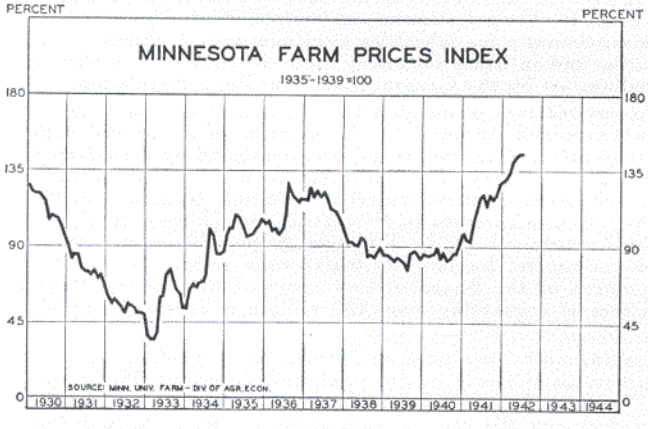
BANKING

Loans of 20 reporting city member banks in the Ninth District totaled $218 million on August 12, a decline of $6 million since June 30 and a reduction of $53 million since January 1. Holdings of direct and guaranteed Government securities on the other hand increased $44 million since June 30 and were $117 million larger than on January 1, 1942. Deposits continued to rise and totaled $794 million on August 12, an increase of $84 million since the first of the year and more than double the deposit volume of the 1933 low. Excess reserves of these banks were $17.7 million, about half as large as one year earlier.

AGRICULTURE

Farmers' cash income in the Ninth District in July was at an all time high for that month. The income from nine important Northwest products totaled $91.4 million compared with $91.5 million in June and $72.1 million in July, 1941. Farmers in both the cash grain areas and in livestock and dairy sections enjoyed larger incomes than a year ago. Income from wheat and rye was 19 and 86 per cent respectively above one year earlier, while increases of 87 per cent in hog, 58 per cent in egg, 25 per cent in cattle and calves and 11 per cent in dairy products were recorded.

Farm product price trends continued uncertain during July and the Minnesota Farm Price Index remained at its 18-year record high of 145. The farm price of livestock showed mixed trends with the average hog price rising to the high level of $13.50 and lambs to $11.40 per cwt. The price of chickens, eggs and milk increased while beef cattle, veal calves and sheep declined somewhat. Grain price trends were generally mixed throughout the month with buyers' interest centered mainly on the new crop.



Factors in recent increased livestock quotations are heavy Lend-Lease and other government demands and relatively smaller market receipts. The American Meat Institute estimated that approximately 28 per cent of July beef production was purchased for American armed forces and that 30 per cent of pork production was bought by the Surplus Commodities Corporation for Lend-Lease shipment.

August 1 crop prospects in the Ninth District indicate a record crop for most small grains and, except in sections of southern Minnesota and eastern South Dakota where blight and scab have damaged the barley and west central Minnesota where leaf rust and scab have struck the wheat crop, wheat, oats and barley promise excellent yields. A rust attack of serious proportions has affected the flax crop but nevertheless estimated production is well above last year because of increased acreage.

While the estimated production of corn on August 1 was about as large as in 1941, the future of the corn crop is dependent upon weather conditions during the next six weeks, a frost-free September being essential if present expectations are to materialize.

Harvesting and storage represent major problems now facing the farmer; harvesting because of the shortage of labor, the difficulty in obtaining adequate machinery and the danger of adverse weather conditions, storage because of the acute shortage of available space, necessitating the improvision of additional storage capacity if substantial losses are to be averted.

Ninth District Crop Production

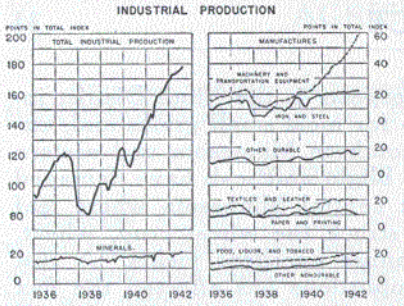
BASED ON USDA ESTIMATES
(Thousands of Bushels)

	Production 1941	August 1 Estimate of 1942 Production	Percentage Change
Corn (All)	294,514	293,556	— 1
Wheat (All)	271,462	273,640	+ 1
Winter Wheat	33,085	42,056	+27
Spring Wheat	238,377	231,584	— 3
Oats	264,734	356,841	+35
Barley	134,858	177,295	+31
Rye	25,639	35,953	+40
Flaxseed	22,642	31,782	+40

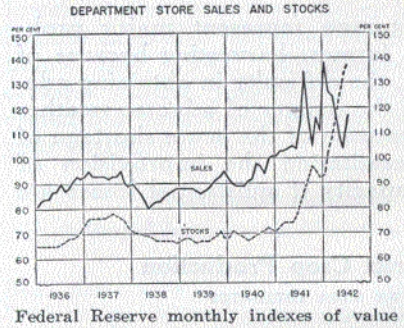
The 1942 lamb crop in the Ninth District was estimated at 5,747,000 head, an increase of 5 per cent over the record 1941 crop of 5,447,000 head. Although poor weather at lambing time caused a drop of 2 per cent in the Montana crop, this was more than offset by increases in the other states, notably South Dakota which increased its crop by about 16 per cent.

Throughout the United States, the 1942 lamb crop of 32,260,000 head was about 2 per cent smaller than the record 1941 crop. It was the second largest on record and about 7 per cent larger than the 10-year (1931-40) average. The reduction from last year was due to a smaller lamb crop in the western sheep states caused by losses due to the cold, wet spring.

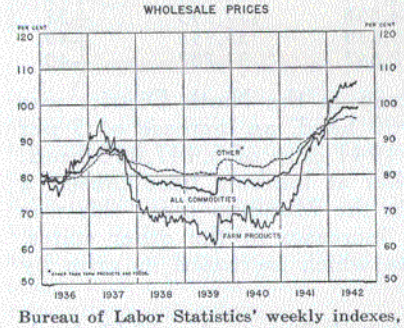
Cold storage holdings on August 1 as reported by the USDA showed several important changes. Cheese and frozen egg holdings reached all-time high levels of 295.7 million pounds and 290.5 million pounds respectively. Shell egg stocks declined in July, the first time since 1934. Stocks of frozen and cured beef were the highest for any August in our 14-year records but frozen and cured pork holdings were the lowest for that season since 1938 and lard stocks were the lowest for that date since 1935.



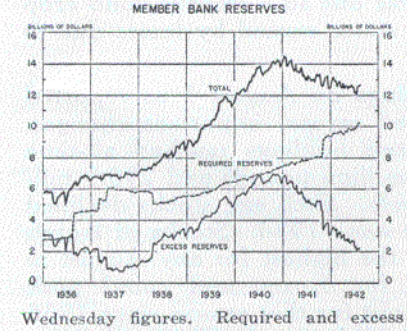
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for July 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for July 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ended August 15, 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AUGUST 24, 1942

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

PRODUCTION: Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate deadweight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about $5 billion as compared with a peak year's civilian output of $4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Corporation. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

DISTRIBUTION: Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

COMMODITY PRICES: Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly non-ferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

BANK CREDIT: Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached the lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' ⅞ per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.

Adjusted demand deposits continued to increase at reporting banks, although purchases of Government securities, particularly the 2½ per cent Treasury bonds of 1962-67, by investors other than banks temporarily reduced demand deposits of individuals and added to United States Government deposits.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of United States taxable bonds have shown little change during the past month. Taxable notes of 3- to 5-year maturity are currently yielding 1.26 per cent on the average as compared with 1.20 per cent in July. The rate of discount on new issues of Treasury bills has averaged 0.372 per cent for the past three weeks.